CORPORATE SOCIAL RESPONSIBILITY ACCOUNTING PRACTICES: A CROSS-SECTIONAL STUDY OF LISTED COMPANIES IN NIGERIA.

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August 1998

DECLARATION

I hereby declare that this thesis is the result of my effort and has, to the best of my knowledge never been previously presented in any submissions for a higher degree. All works and articles consulted have been duly acknowledged in the bibliography.

OBEYA, G.I.

CERTIFICATION

This thesis entitled CORPORATE SOCIAL RESPONSIBILITY ACCOUNTING PRACTICES: A CROSS-SECTIONAL STUDY OF LISTED COMPANIES IN NIGERIA, by OBEYA, GODWIN IDOKO meets the regulations governing the award of the degree of master of Science (Accounting and Finance) of Ahmadu Bello University, and is approved for its contribution to knowledge and literary presentation.

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ABSTRACT

Corporate social responsibility is a new dimension of the ever-widening sphere of management theory and practice. Since the conceptualization of the modern business enterprise as an institution with social responsibilities, corporate involvement in social programmes have become a common phenomenon. Accounting theory and practice are not left behind in these development. Corporate social responsibility accounting, similarly, is a new dimension in accounting theory and practice.

One unique feature in accounting development is the progressive interdependence between the theory and practice of accounting. In other words, theory originating from practice and afterwards improving practice. Hence, this study is a systematic evaluation of corporate social responsibility accounting practices in the absence of a unified theory on it in order to assess the possibility of formulating one.

The study is therefore aimed at:

i) determining how social responsibility expenditures are accounted for and their disclosure in the annual reports and financial statements;

ii) determining the extent and pattern of involvement in social responsibility programmes by companies;

iii) determining the impact of legislation on social responsibility accounting practices and

iv) determining the adequacy or otherwise of existing practices of accounting for corporate social responsibility performance.

The study involves the content analysis of annual reports and financial statements of 90

listed companies and limited interviews with professional accountants

The study found that current accounting practices for corporate social responsibility are inadequate for in the light of existing theories. It therefore sought modification to the value-added statement, and the method of valuing goodwill.

CHAPTER ONE

INTRODUCTION:

1.1 A GENERAL OVERVIEW

Events in the socio-economic environment during the past three decades have had a tremendous impact on accounting theory and practice. These have created the need to redefine the purpose of accounting as its scope seems to have been extended. The American Accounting Association (AAA) recognized this extension and redefined the purpose of accounting in this broader perspective which is: "to provide information which is potentially useful for making economic decisions and which, if provided, will enhance social welfare". Therefore, one dimension of the extension in the scope of accounting is social Responsibility Accounting(a social welfare point of view)

Social Responsibility accounting is an off-shot of the social welfare theory of accounting. This social view-point of accounting is concerned with the impact, on society, of economic decisions taken on the basis of accounting information by users. It is believed that the decisions and hence actions, of individual economic agents (separately or in groups), have "externality effects" which affect the welfare of other members of the society. Therefore, accounting practices should ensure that information supplied reflects not only the interests of shareholders, investors, creditors and managers but also those of employees trade unions, consumers and issues of environment. The demand for these social responsibility information suggest the need for an accounting system that could identify, process and supply data on social responsibility. Social responsibility accounting could then be said to be a product of a society that has been enlightened on the impact of economic activities on its welfare.

KASU

The development of a system of accounting for social responsibility has been met with some difficulties. Firstly, there is no definite theory of the social role of a business entity in modern society. Secondly, there is lack of any objective criteria for social measurement that will enable the evaluation of performance. Thirdly, the users of social responsibility information and their decision objectives/models are not easily determinable. Notwithstanding these factors, trends suggest that businesses are aware of a social responsibility and are ready to provide information on social performance. There is, therefore, a perceived social contract between business organizations and society. This has culminated in accountability relationship, whereby a business entity is obliged to fulfill some expectations of its society. Social information is therefore necessary to evaluate the performance of the business in this regard.

Social responsibility accounting is greatly facilitated by the notion of social contract which is presumed to exist between the business and society. This presumed social contract enables business firms to determined their social constituencies, what these constituencies expect of their respective corporate inhabitants and how to formulate corporate objectives to meet these expectations (ends). Such activities that are aimed at fulfilling social objectives constitute a part of social transactions. These transaction form the bases of social information which helps to insure the accountability relationships that exists between a firm and the various segments of society.

Social responsibility accounting therefore, is concerned with the provision of information about a firm's performance of the social contract. Since business organizations have

already committed themselves to this enlarged concepts of business accountability, a study of the existing accounting practices of such firms may enhance a logical development of a unified system of accounting for social responsibility.

1.2 BACKGROUND OF THE STUDY

The concept of social responsibility of business enterprises and its corollary, social responsibility accounting (like many other business concepts) have their origin in the advanced countries of the world, e.g., United States of America (USA), Germany, France, etc. In these countries, the high level of literacy, social awareness ad sophistication in business management have contributed to the early interests shown in corporate social responsibility and its measurement/evaluation.

Subsequently, legislations were introduced in order to ensure that businesses undertake social programmes/activities. These were mainly in response to demands by civil rights and environmental activists groups which brought the social impact of business activities to public attention, e.g. air pollution, waste disposal, occupational safety and health etc.

Similarly, in Nigeria, inhabitants of industrial cities and environmental activists have drawn pubic attention to such by-products of industrial activities. It was in recognition of the potential dangers which industrial activities pose to the environment and society as a whole that the Federal Government of Nigeria (FGN) set up the Federal Environmental Protection Agency (FEPA). The Agency is responsible for the monitoring of industrial activities as they affect the environment and prescribe necessary control measures.

It could then be said that environmental issues provided the initial impetus to the emergence of corporate social responsibility. However, the scope of corporate social responsibility has been construed to extend beyond the issues of environment. Hence, corporate social responsibility include the impact of business decisions on its human resources, customers, environment and the general public.

In many advanced countries, legal requirements for the disclosure of social responsibility information exists. Some disclosure requirements involves the production of a separate social responsibility reports to a selected group or agency. For instance, social reports to employees in Germany and the reports to Occupational Safety and Health Administration (OSHA) in the USA. Subsequently, many business firms started disclosing social responsibility information in their annual reports. This culminated in an era of voluntary social reporting/disclosure.

In Nigeria general developments in accounting and business ethics closely follow what obtains in the advanced countries of the Western World e.g. USA, Britain e.t.c. This is further enhanced by the activities of agencies such as FEPA. Moreso, corporate activities portrayed as attestation of social responsibility of firms are constantly being publicized in the news media. It is therefore pertinent to ask questions such as:

a) How are the costs of social responsibility programs accounted for?

b) How are they disclosed in the annual financial statements and

c) What use can such information be put to?

Historically, the accounting profession has always responded to public expectations, particularly in the aspect of information processing and disclosure. The public's desire for information on the social performance of business firms calls for a reporting standard on social responsibility accounting. This was recognized in the report of the AICPA study group on the objectives of financial statements in which it stated that: an objective of financial statement is to report on those activities of the enterprise affecting society which can be determined and described or measured and which are important to the role of the enterprise in its social environment."[2] The Financial Accounting Standard Board (FASB) endorsed this as an objective of financial reporting in 1978.

Despite the general acceptance of the concept of accounting for social responsibility, no standard has been enunciated. There is therefore the normative question of what should be the components or contents of social responsibility information to be disclosed by firms. Furthermore, there is the question as "to what extent have businesses responded to the public's concern for social responsibility by disclosing such information in their annual report? This is an empirical question.

It is against this background that this study is being undertaken to ascertain the state of the practice of accounting for corporate social responsibility.

1.3 STATEMENT OF THE PROBLEM

Business activities form the care of socio-economic development and accounting is a tool for effective and efficient management of business operations. Hence accounting communications have an impact on society.

The implications and significance of corporate social responsibility from an accounting view-point derives from the following:

i) a company that accepts the concept of social responsibility incurs expenditure to discharge such responsibility (ies). This may result in the creation of assets, liabilities and expenses. Accounting is concerned with how these transactions are treated in the books and reported in the annual reports of stewardship.

ii) the existence of social responsibility may place restrictions on the operations of a company. This introduces an element of risk into the operations of the company. External reporting by firms should, therefore, provide information that would enable the evaluation of such risk for investment decision-making.

iii) the allocation function of the public sector involves scarce resources as well as externalities. Social responsibility information should as a result, enhance an equitable allocation of all resources and externalities.

Action and reaction have been decisive forces in the development of extant accounting theories and practices. Comprehensive data is, therefore, needed concerning the methods used in, and the extent of social responsibility accounting in Nigeria.

1.4 RESEARCH QUESTIONS

In conducting this research, answers will be sought for the following questions emanating from the statement of the problem and the objective of the study:

i) What proportion of listed companies in Nigeria can be said to disclose social responsibility information in their annual reports?

ii) What is the location of social responsibility information in the annual report?

iii) What impact do social and legal constraints have on social responsibility accounting?

iv) How are expenditures on social programmes disposed by reporting companies?

v) What relevance does such information possess for the development of accounting theory and practices

1.5 OBJECTIVES OF THE STUDY

The impact of economic decisions and its outcome (economic activities) on societal welfare is overwhelming. Moreso, accounting information is a major input into the decision-making process. Hence, with the present demand for corporate social responsibility, it could be stated, a priori, that the disclosure of social information in corporate annual reports will be a common phenomenon, and will be positively valued by users of annual reports and financial statements. It is therefore hoped that this study will serve the following objectives:

i) To ascertain how companies in companies in Nigeria report their social responsibility performance;

ii) To determine the range of activities that such companies perceive as falling within the scope or context of social responsibility;

iii) To ascertain the relationship between the nature of a company's main operation and its disclosure of social responsibility accounting;

iv) To determine the impact of social constraints on social responsibility accounting;

v) To assess the usefulness of social responsibility information for further developments in accounting theory and practice. These objectives are intended

to provide explanations for extant practices of social responsibility accounting by Nigerian companies. This approach is supported by Spicer (1978) who suggested that "a convenient starting point in theory building is the observation and description of the real world and the noting of correlations between variables of interest". [3]

1.6 THE SCOPE OF THE STUDY

It is not unusual for research works to have a range of observations and this study is no exception. However, the scope of this study is necessarily wide in terms of subjects, concepts and variables to be studied. The study specifically attempts to provide a synthesis on the social responsibility accounting practices of companies in Nigeria.

The companies covered in the study are the fully listed companies on the Nigerian Stock Exchange. The companies are further grouped into two major categories viz; manufacturing and service sectors. This is to enable us analyse the relationship between the nature of a company's operations and the type of social responsibility information it discloses in its annual reports. It will also enable an assessment of the impact of social/legal constraints faced by manufacturing firms.

The study is limited to external reporting of social responsibility information via the annual reports. The study therefore covers the methods used by these companies to report on their social responsibility. It also attempts to integrate the data generated during the study, pointing out their implications and interrelationships. Therefore, the study is primarily a content analysis of published financial statements and an evaluation of the

possibility of using social responsibility information for investment decisions.

1.7 PRESENTATION OF THE STUDY

This study is divided into five (5) chapters. Each chapter is further sub-divided to permit readability and comprehension. Chapter one provides an introduction to the entire study and it serves as a justification for the study by clearly stating the objectives of the study. Chapter two gives the literature related to corporate social responsibility - its concepts, scope, and accounting. Chapter three gives a description of the research methods adopted in conducting the study. Chapter four, the data collected are presented and discussed in the light of the research questions. Chapter five provides the summary-a recap of the study, conclusion drawn from the research findings and recommendations based on them.

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CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

Business organizations are the basic units of productive activities in our modern society. At its inception, the business organisation was simply viewed a means of seeking economic fortunes, thereby creating wealth for owners. Hence its sole objective was the maximization of profits, and all its behaviour was regulated by this objective. However, these business organisations operate in a dynamic environment where there is constant alterations in ethics, values and priorities. These changes have come to bear on the profit objective of business organisations. Moreso, the business organisation has become one of the most powerful and influential institutions in the modern society. The output of this sector of the society forms a greater part of the material wealth of any society. In the process of generating this wealth, they provide a means of livelihood for millions of people through employment, products, etc; but, very often they create new problems. These factors bring them into the central focus of the society for analysis and evaluation. Hence the idea of social responsibility of corporate entities. Where ever, responsibility exists, an accountability relationship is a necessary corollary. Hence the need for social responsibility accounting.

2.2 THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY.

The concept of corporate social responsibility has been very controversial. It has generated strong debate among business theorists, executives and the general public for many years. It is highly favoured by some group of people, while it is strongly opposed by others. It has therefore suffered from a lack of a generally acceptable definition.

However, a broad view of corporate social responsibility indicates it as any behaviour or action of a business entity that seeks to protect and improve societal welfare in conjunction with the organisation's own objectives. This broad perception of the concept is at the root of the controversies surrounding it. It raises the question of what should be the proper role and function of the business organistion in modern society.

The idea of corporate social responsibility is a twentieth century phenomenon. It is not unconnected with the size and impact of business activities on society. This has resulted in calls for legislation to curb the power and antisocial effects of business activities. Consequently, the business community was advised to use its power and influence for broad social purposes, instead of pursuing only a profit maximization objective. The idea appealed to the business community and eventually became the concept of corporate social responsibility, but not without contentions.

2.2.1 ARGUMENTS FOR CORPORATE SOCIAL RESPONSIBILITY:

The concept of corporate social responsibility has the strong support of social activist groups, many business executives, and governments. These groups put forward several reasons while businesses should be socially responsible. They include:

a) the need to balance power with responsibility. It has been opined that the modern business possesses much power and influence. As a result, responsibility must accompany power. This relationship between power and responsibility produces what Davis and Bloomstrom (1966) called the iron law of responsibility. This law says that in the long run, those who do not use power in ways that society

considers responsible will tend to lose it". Business should, therefore, be sensitive to their legal and social responsibilities if they are to enjoy the sanctions of the society continuously.

b) reduction in economic and political costs. It is also argued that social acts (voluntary or enforced) many discourage governments from increasing legislation on other business activities. Very often, government legislations on business activities may increase operational costs and restrict business decision making horizon. This stiffens initiative and reduces a business ability to meet market and social demands. This view also accord with the political philosophy that wishes to keep power as decentralized as possible in a democratic system. Therefore, if business by being socially responsible discourages new government restrictions, it has accomplished a public good as well as a private good.

c) promotion of long-run profits. Social responsibility activities by business can produce long-run business profits. Such social responsibility behaviours may generate public favour and goodwill for the firm which may influence demand for the firm's product(s) in the long-run, and increases in profits.

d) improvement in a company's public image. Very often, companies are regarded as agents of exploitation by the general public. In order to offset this unfavourable public image, companies may need to involve themselves in social activities.

e) responsiveness to changing public needs and expectations. Social expectations of business have increased tremendously in recent times. Such issues span both short and long term as a result of the immediate and concurrent effects of business activities on society. The public now, more than ever before, expects higher levels

of social performance from business.

It is likely that concern about social response is a sign of deep far-reaching social change. The old idea of expecting only economic outputs from business is no longer enough, no matter how well that expectation is met.

f) mitigating social problems caused by business. It is believed that business has a responsibility to society for the harm, sometimes, caused by it in the course of its operations. For example, industrial pollution affects everybody, causing health problems and damaging the environment. The question that arises is: "Since business creates environmental damage/degradation, should it not be responsible for cleaning up the problems?" Other instances involve the social inequalities created by the employment policies of business e.g. discrimination against handicapped persons. In these and similar circumstances, it is thought that business organizations have a responsibility to help correct these social problems, including negative externalities.

g) the application of useful business resources to difficult social problems. Business controls vast amount of valuable resources that can be employed to tackle social problems. Other institutions in society are not always successful in this regard due, partly, to lack of sufficient funds, management know-how and sophisticated planning tools which are a normal part of business operations. The challenge to put the resources of business to work on social problems may restrict their availability for the economic goals of the business.

h) Recognizing the moral obligations of business. Many business critics assert that business has a moral obligation to the society. This view point considers a

society's moral and ethical rules to have high priority for corporate managers than other considerations, including business profits and other economic goals. If social justice demands that equal pay be given for equal work performed by both men and women, then a company is morally obligated to have equal pay scales. Or if the moral principles of the right to life is threatened by shoddy construction methods that risk the lives of workers, business should immediately correct their methods. According to this viewpoint, moral obligations out weigh all other kinds of obligations corporate managers may have to others, including economic returns to stockholders. Closely aligned to the foregoing is the recognition enjoyed by business as corporate citizens. This arouses the issue of citizenship rights ad duties. Hence, corporate social responsibility is a civic duty of business.

The foregoing discussions present the arguments in favour of corporate social responsibility. There arguments presupposes that both business and society are better off with strong business involvement in socially responsible actions. Business gains public acceptance and secures its economic position in the long run while society is helped with some of its most difficult problems.

2.2.2 ARGUMENTS AGAINST CORPORATE SOCIAL RESPONSIBILITY:

On the other hand the concept of corporate social responsibility has been severely attacked by several groups and person. They believe that business should concern itself with profit making and leave social matters to other groups in society. These group enjoys the support of professional economists who fear that the pursuit of social goals by

business will lower the economic efficiency of firms, thereby depriving society of important goods and services some groups are skeptical about trusting business with social improvements, instead, they prefer governmental initiatives and programme. As stated in Frederick et al (1988) to the more radical critics of the private business system, social responsibility is nothing but a clever public relations smoke-screen to hide business's true intentions to make as much profit as possible. More specifically the following argument have been raised against corporate social responsibility:

a) It reduces economic efficiency and profits. This argument is anchored on classical economic theory which states that the firm has one and only one objective, which is to maximize profit. This objective is extended to imply the maximization of shareholders' wealth. It is asserted that in striving to attain this objective within the constraint of existing legal and ethical framework, business corporations are acting in the best interests of the society at large. According to Friedman (1962),

> ... there is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profit, as long as it stays within the rules of the game, which is to say engages in open and free competition, without deception or fraud . . . . Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholder as possible".

It is also argued that any time a business firm uses some of its resources for social purposes, it risks lowering its efficiency. For instance, if a business decides to keep an obsolete factory open because it wants to avoid the negative social impact that a closing down would have on the local community, its overall economic and financial performance may suffer because of that decision. As a result, the

company's costs may be higher than necessary and its profits lower. Shareholders may receive less return on their investment than desirable, and that might make it more difficult for the company to raise additional capital for future growth. In the long run, the company's attempt to be socially responsible might backfire as its costs would be inflated, its competitive strength reduced, and its profits reduced to an undesirable level.

Therefore, businesses are advised to concentrate on producing goods and services and selling them at the lowest competitive prices. When the economic task is done well, the most efficient firms survive, consumers economic needs are well saved, and profits are both a reward for past performance and an incentive to future economic activity. Above all, a company's resources should not be devoted to non-economic or non-profit ventures. Friedman & Friedman (1981) argues that; "Even though well intended, such social activities lower business's efficiency, thereby depriving society of the high levels of economic production needed to maintain everyone's standard of living".

b) It imposes unequal costs among competitors. Where a business engages in social responsibility programmes beyond minimum legal requirements, the extra costs of such programmes may jeopardize its competitive position vis-a-vis other competitors which do not incur such social responsibility costs. Similar problems exist when companies are faced with foreign competition. If one country requires higher and more costly social responsibility actions (e.g costly pollution control standards, greater job and product safety criteria) from business than other countries, its companies will be disadvantaged as high cost of operations will hinder them from penetrating foreign markets.

c) It imposes hidden costs on society. Many social programmes undertaken by business are not economically self - financing. Hence, someone must pay for them. Ultimately, society pays all costs, although it may seem that a business in bearing the burden. Some people believe that social benefits are costless, but socially responsible businesses will try to recover all of their costs in some way. This may be in the form of lower dividends, reduced wages, or even higher prices being charged to consumers. If the public knew that it must eventually pay these costs, and how high the true costs were, it might not be so insistent that companies act in socially responsible ways. The same might be true of government regulations intended to produce socially desirable business behaviour. By driving up business costs, these regulations probably increase prices and lower productivity in addition to making the nation's tax bill higher. Weidenbaum (1980), upheld this view.

d) It creates internal confusion and unjustified public expectations. A great deal of involvement in social responsibility programs by a business may divide the interests of its managers and create confusion regarding the firm's major goals. Although, managers may have good intentions by being socially responsible, their companies may be less effective in their major goals, as a result of diverting organizational resources to social causes.

Similarly, over-emphasis on social response may cause the public to develop expectations of business that are difficult, if not impossible, to accomplish. This problem frequently occurs when business's charitable gifts give life to a community organisation which then returns again and again for additional support.

When these expectations are not satisfied, a company's public image can be tarnished, and it may lose important public support it needs.

e) It gives too much power to business. Some critics of corporate social responsibility argue that companies already wield enormous economic power and as a result, would be improper for them to gain more social influence. Therefore allowing business to take responsibility for solving social problems would not only make them more powerful/influential it will weaken the public institutions that are supposed to handle such problems. Hence, business should be responsible for economic problems while other institutions should be concerned with social problems.

f) There is an absence of social accountability. According to this view, if business is to be responsible for social improvement, then it should be held accountable for how well it performs. However, there are no direct lines of accountability between a business entity and the general public. If community organizations believe that corporate contributions are inadequate, they can do little but complain. If a company decides to relocate its factory to secure certain economies, the community vacated cannot do much about it. The absence of direct accountability for social activities is one of the short comings of allowing a business firm to be responsible for social matters. The social area is not the same as the market for economic goods. In the market for economic goods, there is a direct penalty for not performing well - loss of customer patronage. In government programs aimed at solving social problems, politicians may have to account to the electorate. But corporate executives are not elected to office by the public, nor are they punished if a social initiative fails. As a result of the

foregoing, it is argued that social questions should not be entrusted to businesses.

g) It places responsibility on the corporation instead of on individuals. The entire idea of corporate social responsibility is misguided. To some critics, only individual persons can be responsible for their actions. People make decisions and not organistions. As such, whole company cannot be held liable for its actions, only those individuals who are involved in promoting and carrying out a policy qualify for responsibility. Therefore it is wrong to talk about the social responsibility of business when it is the social responsibility of individual business persons that is involved. Accordingly, social actions of business is seen as a disguise used by people with special interests or biases to promote their own points of view. As velasquez (1983) opined," Corporations are not morally responsible for anything they do". This implies that the responsibility is on the individual, not the company.

h) Finally, it is argued that business lacks the special skills required to be socially responsible. It is argued that the training of business people is not primarily aimed at solving social problems.

The arguments for and against corporate social responsibility are indeed weighty. However, there is a consensus, that is, business is a social institution. It is a coalition of stakeholders - individuals, groups, organisations or communities that have an interest in, or is affected by, any activity of the business. Such could be employees, shareholders, customers, suppliers, government and the communities in which the business operates. The discharge of responsibility to these shareholders must necessarily involve social programmes/activities.

In this regard, Shocher and Sethi (1974) says:

> "Any social institution, and business is no exception, operates in society via a social contract, expressed or implied, whereby its survival and growth are based on : (i) the delivery of some socially desirable ends to society in general, and (ii) the distribution of economic, social or political benefits to groups from which it derives its power. In a dynamic society, neither the sources of institutional power, nor the needs for its services are permanent. Therefore, an institution must continually meet the twin tests of legitimacy and allowance by demonstrating that society requires its services and that the groups benefitting from its reward have society's approval".

Hence, the concept of corporate social responsibility is an attempt at promoting a problem - solving behaviour among members of the society of which business is one. Therefore, it would be difficult for business to exist and prosper without adequate regard to social concerns. As Farmer and Hopic (1973) puts it, "Corporate legitimacy ultimately depends on how society evaluates the total impact of the firm, not just its economic impact". Businesses seem to have realised these facts as many have voluntarily embarked on social programmes. In fact, if companies are coerced by government regulations or general public opinion be socially responsible they are actually not being very responsible; they are only paying their way. Hence, only voluntary actions can really be regarded as mark(s) of social responsibility. Even where legislations exist to protect society, a socially responsible business will extend its activities beyond the minimum legal requirements.

2.3 THE SCOPE OF CORPORATE SOCIAL RESPONSIBILITY

The scope of corporate social responsibility relates to the possible areas in which business can and does make impact on society. The impact of business activities on society can be regarded as its contribution to the quality of society's life. This could be negative or positive depending on whether it is a cost or a benefit. Social responsibility activities may

therefore extend beyond legislative requirements or market conditions.

Brummet (1973) identified five possible areas of corporate social objectives/performance. They are:

1. Net profit contribution
2. Human resources contribution
3. Public contribution
4. Environmental contribution
5. Production or service contribution.

The term `contribution' includes both benefits and costs associated with an organisation's activities.

Estes (1976) also identified major areas of social performance which are similar to that of Brummet (1973) except for the net profit contribution. We will look at each of these areas and identify the categories of activities under each heading.

NET PROFIT CONTRIBUTION. Though social responsibility objectives of business include social efforts and impacts that are not included in conventional accounting's economic and financial evaluation, the profit objective has some social relevance. It is the profitable business that has potential for making social contributions. Hence, the recognition of the importance of other social objectives does not diminish the profit objective. It is when a business is profitable that attention is drawn to the circumstances in which the profit was made and the need to consider social problems which may affect such profitability in the long run e.g hours of work and work environment, product quality e.t.c. As Glautier and Underdown (1986) puts it: " the failure to plan and attain social

objectives will be reflected in the failure ultimately to attain the profit target".

HUMAN RESOURCE CONTRIBUTION.

This is concerned with the impact of business operations on the people who constitute the human resources of the organisation . Corporate social responsibility performance in this area involves those activities that are directed to the welfare of employees. These include:

a) Recruiting practices - providing equal job opportunities for all persons and recruiting in depressed areas.

b) Training programmes - providing programmes for all employees to improve their skills, increase their earning potential and job satisfaction.

(c) Experience building - Providing the most meaningful work experiences practical for all employees e.g. through job rotation, job enrichment, transfer and promotions.

d) Remuneration - Maintaining wage and salary levels plus fringe benefit plans are comparable with others in the same industry or community.

e) Working conditions - Providing on-the-job safety, healthful and pleasant physical environment, occupational health and freedom from stress.

f) Employment continuity - scheduling production so as to minimize lag-offs and recalls, exploring all feasible alternatives to closing a facility, stability of work force.

g) Communications - management/union relations, establishing and maintaining two-way communication between all levels of employees regarding corporate activities.

h) Drugs and alcohol-providing education and counselling for employees to prevent or alleviate problems in such areas.

PUBLIC CONTRIBUTION

This area includes those activities which tend to benefit the general public. It is also regarded as community involvement but the community as used here extends beyond the specific geographic area in which the business has its plants and offices. Activities in this area includes:

a) General philanthropy - contributions to educational, cultural or charitable organisations, health and community welfare agencies.

b) Public and private transportation - alleviating urban transportation problems including provision of transportation of employees.

c) Health services - provision of health care facilities and services, support for programmes aimed at reducing disease and illness.

d) Urban housing - improvement and construction of dwellings.

e) Financial and manpower support for-minority business, minority group programmes, general volunteer community services.

f) Aid to the handicapped and disadvantaged - Equal opportunity employment practices, training and employment of handicapped person.

In some literatures, taxes paid is included as contribution to the public.

ENVIRONMENTAL CONTRIBUTION.

Environmental contribution also known as physical resources contribution involves those activities which are directed toward alleviating or preventing environmental deterioration. Such activities include:

a) Extra - legislative effort to avoid the creation of pollutants, alleviating or eliminating pollutants in the air, water or waves (sound).

b) Solid waste - Disposal of solid water in such a manner as to minimize contamination, reduce its bulk, recycling it, etc, and the designing of processes/products which will minimize the creation of solid waste.

c) Use of scarce resources -The conservation of energy sources, the development of new energy sources, and the conservation of scarce raw materials.

d) Aesthetics - afforestation programmes, design and location of facilities with attractive landscape and architecture.

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The impact of business (industrial) activities on the environment has been more pronounced in recent times than ever. It relates to more than the geographical location of corporate facilities. In fact, it has become an issue of international interest e.g the depletion of the zone layer and global warming, use of landmines e.t.c. which have many international activist groups campaigning for environmental protection.

PRODUCT OR SERVICE CONTRIBUTION

This is concerned with the qualitative aspect of products or services of businesses as required by customers. This includes:

a) Completeness and clarity of labeling, packaging, and truthfulness in advertising. Representations made during marketing of a product should hold true.

b) Consumer education to keep consumers informed of product or service characteristics, methods and areas of use of products, and of planned changes or discontinuances.

c) Product quality control and quality assurance.

d) Product safety - Design or formulation and packaging of products to minimize

possibilities of injury while using the product.e)

e) Research and development of new products - to meet specific social conditions, avoid the creation of social and environmental problems or reduce such problems e.g. energy consumption, emission of poisonous gas e.t.c.

Though most of these activities have significance in term of marketing strategy, the social responsibility aspect extends beyond marketing objectives.

The foregoing discussion has given an impressive list of activities which companies can undertake as social responsibility programme. They offer all kinds of businesses the opportunity to make contribution to the society beyond its traditional objective, whether its operations have any negative impact on society or not.

2.4. CORPORATE SOCIAL RESPONSIBILITY ACCOUNTING

Corporate social responsibility accounting is a new concept which has evolved from the changing socio-economic environment of accounting. This environmental impact has been recognized in the definition of accounting. For example, the American Accounting Association (1966) defined accounting as; "the process of identifying, measuring, and communicating economic information to permit informed judgements and decisions by the users of the information". However, the concern for social welfare objectives forced a redefinition of accounting in which its purpose was restated as;" to provide information which is potentially useful for making economic decisions and which, if provided, will enhance social welfare". American Accounting Association (1975). This is a social welfare viewpoint of accounting, which attempts to provide information regarding the "externality effects" of corporate

activities. This is the focus of corporate social responsibility accounting. During our review of the concept of corporate social responsibility, we arrived at the consensus that the business organization is a social institution comprising stakeholders. Social responsibility accounting, therefore, attempts to draw attention to the gap existing between the diverse interests represented in conventional business accounting and its emphasis on profit, and the need to see the entire social role of business organisation in the context of all those affected by its activities. In this regard, net profit measurement as reported in traditional financial statements are thought to be too narrow to reflect the social performance of a business. The extension of the scope of accounting to cater for societal trend changes have been referred to by Enthoven (1986) as "Mega accountancy trends". A broader scheme of corporate social responsibility performance measurement in inevitable in these circumstances. Corporate social responsibility accounting is anchored on a measured accountability between business and society whereby a business undertakes to perform certain socially desirable function in return for certain rewards.

Ramanathan (1976) defined social accounting as " the process of selecting Firm-Level social performance variables, measures and measurement procedures; Systematically developing information useful for evaluating the firm's social performance; and communicating such information to concerned social groups, both within and outside the firm".

Similarly, Estes (1976) defined social accounting as " The measurement and reporting, internal or external, of information concerning the impact of an entity and its activities on society".

It could be deduced from these definitions that main purpose of corporate social responsibility accounting is to help evaluate how a firm is performing the social contract. Social responsibility accounting information should therefore, be evaluative in nature. It would accomplish this by providing knowledge of the impact of a firm's activity upon society. The scope of corporate social responsibility accounting therefore extends beyond that of traditionally reported economic and financial effects. According to Estes (1976) ' a firm may be said to be engaged in social accounting when it moves beyond its financial operations and begins to measure and evaluate its other effects on society'.

2.4.1 OBJECTIVES OF SOCIAL RESPONSIBILITY ACCOUNTING

The "Corporate Report" identified seven groups of users a having a reasonable right to receive information from companies. However, the report did not specify the decision models of these several groups of users, nor did it consider it practicable to publish information of a social accounting nature. As can be seen from the scope of corporate social responsibility, much of the information required is of a qualitative rather than of a quantative/financial nature. Its relevance is for groups who are desirous of making value judgements about the firm's contribution to social causes. The question apt to be asked is that of identifying these groups of users of social information and their objectives, if distinctly different from those considered in the "Corporate Report, viz, equity inventors, loan creditors, employees, analysts, business contracts, government and the public. One peculiar problem with social responsibility accounting therefore, is the difficulty encountered in establishing the objective(s) of such information in the light of frequent changes in societal values which will definitely affect the relevances of the

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information.

These theoretical problems have been recognised in the debate about corporate social accountability. In order to find a way forward three objectives toward which social accounting information should be directed have been suggested by Ramanathan (1976), using as a premise, the notion of social contract. The notion of social contract, as seen earlier, recognised two unique roles of a firm in modern society (1) the delivery of some socially desirable goods and services and (2) the distribution of economic social or political rewards to social groups from which the firm derives its power. An analysis of the first role of the firm as a deliverer of some socially desirable goods simply identify the firm as an agent of production. In this regard, the ultimate test of a firm's success is whether its aggregate contribution to the society is more than its aggregate consumption of the society's resources. Under the traditional classical economics view, a firm's contribution and consumption are presumed to be completely valued in the market place - profits are presumed to be the all-inclusive measure of a firm's net contribution to society.

Profits as an all-inclusive measure of a firm's net contribution to society is inadequate due to externalities. Certain types of decisions/actions of an individual business may affect the actions of other firms or social groups or individuals in ways which are not respected in the market process. For instance, a major bank's decision to close down its branch in the ghetto area may prompt similar actions by other banks operating branches there. This may accentuate the economic and social decline of the area. The adversity caused to this social segment may not be reflected in the bank's net profits. In fact, the bank's profits

may increase as a result of closing down the ghetto area branch. Several cases about where the pursuit of private benefits may not result in the optimization of social benefits. If a socially optimal allocation of a society's resources is to be attained, consideration must be given to such external costs and benefits arising from an individual firm's action. Whether such optimization is arrived at through internalization of externalities or through direct government intervention, a common prerequisite to policy making within and outside the firm is information on, and separate consideration of, the externalities which give rise to social costs and benefits. This role of a firm as an agent of production and its aggregate net benefits to society forms the basis of the first objective of corporate social accounting which says: "An objective of corporate social accounting is to identify and measure the periodic net social contribution of an individual firm, which includes not only the costs and benefits internalised to the firm but also those arising from externalities affecting different social segments" Ramanathan (1976).

The above objective is similar to that proposed by the American Accounting Association (1976) which says," an objective for corporate social performance is to identify and measure the contribution of an individual firm as an integral unit of one or more TDS's to the aggregate social benefits and sacrifices which are attributable to those TDS's. The firm is regarded as Technology Delivery System (TDS) in the statement above.

While the first role of the firm under the notion of social contract is that of an agent of production, its second unique role is that of a trustee or an agent in the resource sharing and benefit distribution processes in society. The resource sharing and benefit polices (e.g.; hiring, training, retention and promotion policies; plant location strategies, political

philosophies, ethical norms; etc) which a firm adopts have a direct impact upon how the aggregate benefits and sacrifices generated in the society are shared among individuals, communities, social segments and generations. However, the complexities of making trade-off decisions among these competing groups are overwhelming. Also, the absence of theories which deal with interpersonal preferences and aggregate social utility functions are well recognised. Hence, in this second role of the firm, the decision process is concerned more with notions of fairness, equity and consistency with social goals than with consideration of optimality.

The social monitoring of individual firm performance in this trusteeship/agency role is less direct and more complex than the market - mechanism based social monitoring of its economic performance. Indeed, the successful attainment of social welfare goals and priorities depends, in a large measure, upon how well embedded they are in the strategies and performance of individual firms which make up one of the largest organised sectors in modern societies. This relationship between individual firm performance and social welfare is the basis for a second major objective for corporate social Accounting, Viz:

> " An objective of Corporate Social Accounting is to help determine whether an individual firm's strategies and practices which directly affect the relative resource and power status of individuals, communities, social segments and generations are consistent with widely shared social priorities on the one hand and individuals legitimate aspirations on the other".

This second objective is the same with that offered by the committee on Accounting for social performance of the American Accounting Association (1996).

The foregoing two unique roles (i.e as a production agent and a distribution agent) of individual firms in modern society, together with the two corresponding objectives of corporate social accounting, indicate the basic directions, dimensions and challenges involved in measuring corporate social performance. Attainment of these two social accounting objectives is necessary for systematically evaluating how well a firm is fulfilling its social contract.

The two objectives discussed, heretofore, may be regarded as measurement objectives of social accounting. If these measurement objectives are attained, a data base would be available which will facilitate the appraisal of corporate social performance. The next task will be the provision of relevant information to the users (internal and external) of social accounting information from the data base. For internal reporting purposes, the firm's management will develop specific reporting objectives as its circumstances may warrant. However, from the external reporting standpoint, there is a need for a public policy on corporate social reporting. The purpose of such a policy is to ensure that social reporting by individual firms would be adequate and relevant for aiding public accountability, evaluation, co-ordination and monitoring of corporate contributions toward social goals attainment. Moreso, such a public policy would be to insure that external reporting required of individual firms is cost/benefit - effective from the aggregate social standpoint. In the absence of such a policy, different user groups - the different social constituents of firms - will have different degrees of access to corporate social performance data. Further, an over abundance of data on some, aspects of social performance and a paucity of information on other relevant aspects could result. Furthermore, potentials for biased reporting also exist, e.g. as when a firm reports only favourable aspects of its social

performance. Finally, there exists the problems of resolving, without adverse social consequences, conflicts of interest in information needs of the various social constituents. On the strength of the foregoing problems, the third objective (which is a reporting objective) of social accounting, was suggested as follows:

> "An objective of corporate social accounting is to make available in an optimal manner, to all social constituents, relevant information on a firm's goals, policies, programmes, performance and contribution to social goals. Relevant information is that which provides for accountability and also facilities public decision -making regarding social choices and social resource allocation. Optimality implies a cost/benefit - effective reporting strategy which also optimally balances potential information conflicts among the various social constituents of a firms"

These three objectives are in accordance with the definition of social accounting available in the literature and already discussed.

2.4.2 CONCEPTS AND MEASUREMENTS

The establishment of concepts is very important to the development of a theoretical framework. Infact, concepts are the building blocks for theory. Accounting concepts refer to the events that comprise the existence of business of every kind. In financial accounting, the concepts listed below provide the essential material of accounting theory.

Basic concepts	**Accounting conventions**	**Accounting procedures**
Assets Liabilities Capital Revenue Expenses Profit Transactions	Entity Money measurement Going concern Cost Realization Accrual Matching Periodicity Consistency Prudence	Recording transactions Classifying transactions Summarising transactions Reporting transactions Interpreting Reports.

Several concepts have similarly been proposed for corporate social responsibility accounting in pursuit of the objectives earlier discussed.

a) A social transaction: This represents a firm's utilization or delivery of socio-environmental resource which affects the absolute or relative interests of the firm's various social constituents and which is not processed through the market place. This is concerned with decisions which have externality effects.

b) Social overheads (returns): These represent the sacrifice (benefit) to society from those resources consumed (added) by a firm as a result of its social transactions. In other words, social overheads is the measured value of a firm's negative externalities, and social returns in the measured value of its positive externalities.

c) Social income : This represents the periodic net social sum of the firm's traditionally measured net income, its aggregate social overheads and its aggregate social returns.

d) Social constituents are the different distinct social groups with whom a firm is presumed to have a social contract e.g local community, employees, minorities etc

e) Social equity - this is a measure of the aggregate changes in the claims which each social constituent is presumed to have in the firm.

f) Net social asset -this is the firms aggregate non-market contribution to the society's well being less it's non-market depletion of the society's resources during the life of the firm.

These concept are relevant in developing a coherent framework for social responsibility accounting. For example, social transactions facilitates the recognition of a firms social

impact on social constituents. A fundamental step in social accounting, therefore, would be to identify a firms social transactions. All decisions and activities of a firm, whether or not, they involve a market exchange, would constitute social transactions. The process of formulating a social transaction involves identifying three elements. The first element is the social constituent(s) affected by the externality considered e.g consumer groups, employees, minorities, local community, investors groups, the general public environmental activist groups etc.

The second element in formulating a social transaction is the specific nature of the impact of the firm's action upon the social constituent. In general, such impacts might be either technology derived or management policy derived. For instance, product safety and improved service efficiency are illustrative of technology derived impacts upon consumers. Truth in advertising and sensitivity to customer service needs are examples of policy-related variables that affect the consumers.

The final element in the formulation of social transaction is the determination of the relevant social overhead/return rates to be used for pricing each social transaction. Since social transactions are not subject to market tests, no automatic process reveals the rates relevant for pricing such transaction. The way out seems to be the development of such rates at specific industry levels which could be used by individual firms in the industry.

These concepts and measurement methodology would require each firm to undertake an audit of its externalities in order to develop a reasonably complete set of social transactions which reflects the firm's on going impact upon society which are not subject

to the market process. The methodology also requires the valuation of social transaction using social overhead/return rates. The formal accounting for social transactions (analysis e.g classifying and summarising) would require determination of a social asset effect on the one hand and social income and social equity effects on the other. Certain transactions may involve an exact trade-off between one type of social benefit (or cost) and another - both affecting the same social constituent. The accounting for such transactions might not involve a social equity effect. On the other hand, certain other social transactions might involve shifting benefits (or costs) between social constituents, e.g, affirmative action. (Affirmative action programs by firms represent transactions whose main direct impact upon society is in the redistribution of income and growth opportunities among different social segments e.g the firm's contribution to the society remain the same). Accounting for this type of transaction might not involve any social income effect.

As can be seen from the foregoing discussion, the valuation of externalities (i.e social costs and benefits) constitute the greatest impediment to social responsibility accounting. This is because of the apparent lack of reliable measurement techniques. Accountants are therefore handicapped in their desire to assign numbers to social effects.

Measurement in social accounting often requires the valuation of goods, services and effects not exchanged in the market and hence no exchange prices. As Estes (1976) Puts it: " exchange prices are considered to be the foundation of business accounting; business and accountants have become so accustomed to using exchange prices as a measure of value that it is difficult for them to accept valuations not based on exchanges". But should this be an impediment to social accounting really? In answer to the question, it has

been argued that accountants make use of other monetary values that do not reflect exchange prices. Examples are depreciation charges, bad debt, goodwill, deferred charges, joint cost allocation e.t.c. Similarly, exchange prices have been criticized on grounds that they are not good measures of values in macro context if instances such as consumer surplus are involved/considered.

Since exchange prices are often not available and are not perfect indicators of social value, other measures of social benefits and costs have been suggested. According to Estes (1976), " Social measurement requires the estimation of benefits or utility provided by an entity, and the cost or sacrifices imposed on elements of society; we are thus concerned with the opportunity cost concept". The periodic allocation of the measured cost should take into consideration the time span of the impact of the social action.

To arrive at the opportunity cost, several approaches have been suggested. These include:-

a) Surrogate valuation - the value of an item or phenomenon that is logically expected to involve approximately the same utility or sacrifice as the item in which we are interested.

b) Survey techniques - obtaining information from those affected by a social transaction i.e those who receive the benefits or make the sacrifice to be valued.

c) Cost of restoration or prevention. Certain social costs may be valued by estimating the monetary outlay necessary to undo or prevent the damages.

d) Appraisals - the use of independent experts to assess and value social impacts.

e) Court decisions - awards for damages in court actions could give an indication of social value.

f) Economic and statistical analysis.

g) Outlay cost of the firm involved in social transactions.

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2.4.3 ACCOUNTING METHODS AND DISCLOSURE

The study group on the objectives of financial statements of the American Institute of Certified Public Accountants (AICPA) in 1973 proposed that "an objective of financial statements is to report on those activities of the enterprise affecting society which can be determined and described or measured and which are important to the role of the enterprise in its social environment". This proposal raises the normative question of whether corporations should be required to disclose more information on their social performances with respect to issues of social concern. The resolution of this question will certainly bring about a fundamental change in accounting methods and disclosure philosophy, for example the criteria for recognizing an accounting item and for incorporating it into the financial statements as an asset, liability, revenue, expense e.t.c., depicting it in both words and numbers. Since business have committed themselves to this enlarged concept of corporate social responsibility, what kind of accounting report should be called for? The traditional inclination would be to extend the contents of the present financial statements. This may be done through narrative disclosure or through the addition of new accounts. For example, the American Accounting Association (1973) through its committee on Environmental Effects of Organization Behaviour proposed an extension of the current attested financial reporting model to include certain environmental disclosures. The committee called for verbal descriptions of the following:

1. Identification of environmental problems - Specific organizational problems with regard to control, imposed control standards, compliance deadlines, penalties for non-compliance, environmental consideration contained in executory contracts and other contingent aspects.
2. Abatement goals of the organisation - detailed description of plans for abatement, projection of time schedules, estimates of costs and/or budgeted expenditures.
3. Progress of the organisaiton - description of tangible progress, cost to date, expected future costs and pertinent non-monetary information relative to the organsation's attainment of environmental goals.
4. Disclosure of material environmental effects on financial position, earnings and business activities of the organisation.

The above recommended disclosure would provide information useful not only to those members of the public concerned with environmental matters, but also to investors interested in potential future liabilities and assessments that might result from the problems and progress reported.

Another method of disclosing information about corporate social responsibility activities in the cost of outlay approach. This, it is suggested, will provide for comparability in the level of financial commitments to social activities between different years.

The third method is the cost - benefit approach. This discuses the costs and benefits associated with corporate social activities.

2.5 CORPORATE SOCIAL RESPONSIBILITY ACCOUNTING AND PERFORMANCE EVALUATION.

The aim of providing information is to influence behaviour. Social responsibility accounting information is no exception. Social responsibility information should therefore provide a basis for evaluating the extent to which business acts to fulfil those expectations of society.

It has been argued that social responsibility would not be useful because of the subjectivity of the basis of measuring a company's contribution to society. Nevertheless,the users of financial reports may be assisted by the accounting procedures that are voluntary adopted by firms to report social performance. There is little information on which to base an assessment of the usefulness of these procedures. However, this is not surprising since there are presently no "generally accepted" procedures and no regulatory or professional framework for social responsibility reporting. The American Accounting Association (1976) while considering, the issue of reporting standards made reference to the work of Estes (1976), among others, as comprehensive. Estes proposal involves a hierachical scheme (see figure 2.2 below), which consists of three basis "standards", six desirable 'secondary criteria" and ten "additional considerations". The basic standards are obligatory for reporting purposes. The secondary criteria are not essential, but non-compliance with them need to be justified. Additional considerations may not be attainable but they should be at least considered in the reporting process. In developing this scheme, stewardship was accepted as the dominant objective of social reporting.

The standard, secondary criteria and additional criteria as follows:

1. Relevance - corporations should report only that social information which bears on some need or interest in society. Under this standard, the secondary criterion is Timeliness, while the additional considerations are significance and location. Information to be reported should be evaluated in terms of this significance and it should identify the social impact of the firm's actions upon particular communities.

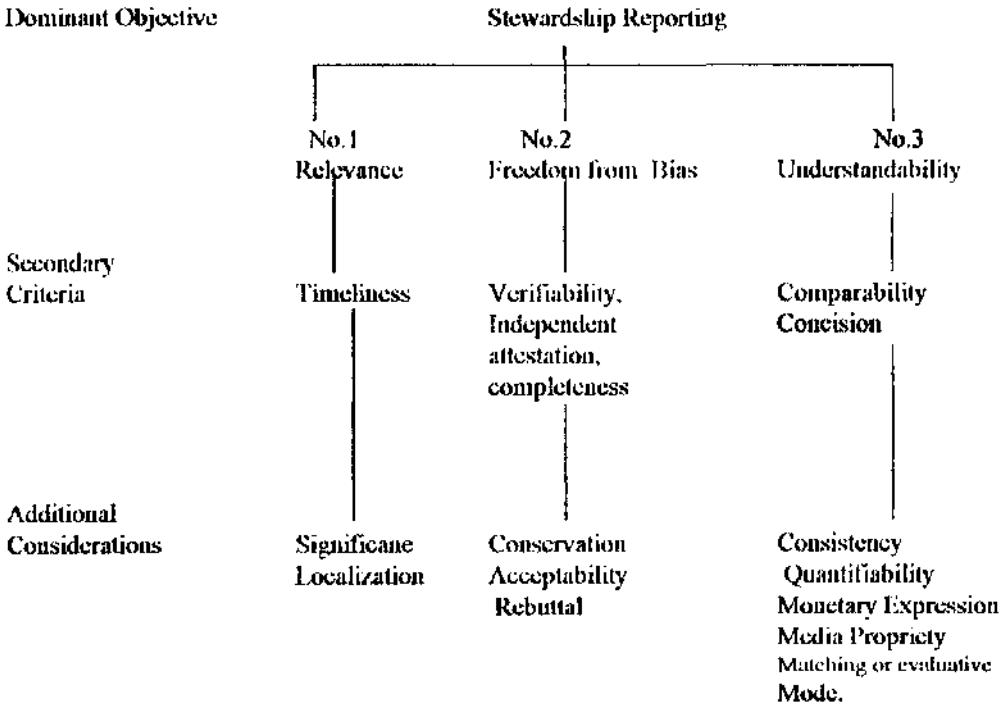
2. Freedom from Bias- The necessity of freedom from Bias indicated by the risk of self-serving and distorted social reporting. There is already too much suspicion that presently reported information is carefully selected to avoid bad impressions and tends to exaggerate the "good works" or social benefits generated by the corporation. As secondary criteria to this standard are verifiability. independent attestation and completeness while the additional considerations are conservatism, acceptability and rebuttal – i.e. opportunity should be available to those interested parties with opposing view points to present their views in an appropriate forum.
3. Understandability - Social reporting model should not be so complex, so clever or so obscure that will make it lose its value.

The secondary criteria are comparability and conciseness, while the additional considerations are consistency, quantifiability, monetary expression, media propriety (ie level of audiences' knowledge) and matching or evaluative mode - this relates to the usefulness of quantitative presentation of associated positive and negative aspects together and comparing them against objectives, plans or

standards.

The need for standards that will make social responsibility disclosures evaluative cannot be over emphasized. Considerable gap still exists in this area. Infact, much remains to be done in the Nigerian context where no objectives answers are readily available on the pattern and relevance of social responsibility disclosures in the financial reports of companies.

Fig 2: HERARCHY OF SOCIAL REPORTING STANDARDS



CHAPTER III

RESEARCH METHODOLOGY.

3.1 INTRODUCTION

In carrying out a study, a researcher has the option to choose from among several investigative techniques which could be used alternatively or as compliments. At times, it is needful to employ more than one of such methods. As Hillway (1964) puts it:

> In any given investigation, it may even be necessary (infact, it is frequently desirable) to use two or more of these general types of research in combination. There is no reason, for instance, why one should not seek the solution of a problem by studying its history through an examination of documents (documentary research) and then determining its present status by some sort of survey (descriptive research).

This study is a systematic analysis of the actual social responsibility disclosure practices of selected companies in Nigeria. In pursuit of the objective of this investigation, survey/descriptive research method is adopted. It is major aim is to describe systematically the state of a given phenomenon. According to Osuala (1982) " the need for systematic ways of telling what a situation is means that the situation is no longer simple. It cannot be understood without synthesis". Hence, "Surveys do more than merely uncover data. They interpret, synthesize, and integrate these data and point to implications and interrelationships".

3.2 SELECTION OF SUBJECTS:

Sampling is the process of examining a representative number of items drawn from a given population or universe. The major purpose is to gain an understanding about some feature or attribute of the entire population based on the characteristics of the sample. Sampling

is inevitable in most research because of costs and measurement problems encountered when large volumes of data are to be generated. Hence, the subjects used in this study are drawn from two sources. First is the 158 fully listed companies in Nigeria as per the Nigerian Stock Exchange fact book for 1995.

A random sample of 95 firms representing about 60% of the population was taken. However, the population was stratified before the sample was drawn. The stratification was necessary because of the question that required the analysis of the impact of social/legal constraints on the scope of social responsibility and its accounting. It is readily understood that firms which are located in local communities and manufacturing companies whose waste products constitute social problems fall into these category, whereas, services firms do not face such constraints. Does this mean, therefore, that manufacturing firms and service firms will differ in their pattern of involvement in social responsibility programmes and their accounting treatment of social expenditures? The foregoing is the reason for the stratification.

As with all random sampling all items in the population have equal chance of being selected. Random numbers were generated for each stratum until the size required was obtained. 55 companies were selected from the manufacturing companies [see appendix (a) & (b)] while 40 companies were selected from the service companies [see appendix (a) & (b)]. Second, a non-random sample of auditors and accountants is drawn to obtain corroboratory information about some aspects of the study i.e. the accounting treatment of social responsibility expenditures that are not apparent from the annual reports and financial statements.

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The annual reports for the selected fully-listed companies were subsequently obtained for data collection. Because of the heterogeneous nature of social responsibility accounting/reporting at the present time, a content analysis of the published financial statements was undertaken to identify items relating to social responsibility performance.

3.3 SPECIFICATION OF VARIABLES:

The annual financial statements/reports of each of the 158 companies will be read to ascertain if the company provided any social responsibility information. Any disclosure relating to the following items will be regarded as social responsibility information:

(i) Environmental Protection and Control.

- Measures to reduce air pollution;
- Research on environmental impact issues;
- Recycling of aluminium, chemicals, paper and water;
- Waste disposal systems, e.t.c

(ii) Community Relations.

- Alternative employment for displaced local residents;
- Donations to community programmes, charities, educational institutions and Hospitals;
- Financial or infrastructural support for community transportation, and
- Scholarship for local community students, e.t.c.

(iii) Human Resources.

- Occupational health and safety measures; and
- Contribution to social insurance trust schemes e.t.c.

(iv) General Public.

- Donations to arts and sports association;
- Aids to disaster victims;
- Training and employment of disabled persons.

3.4 MEASUREMENT TECHNIQUES.

The aptness of research technique depends largely on the questions to be answered. Since the basic objective of this study is to assess the state of the practice of social responsibility accounting, several methods readily lend themselves to the study. For examples:

i) Quoting actual disclosure;

ii) Counting the number of lines referring to social performance in the annual reports

iii) Using multiple indicators such as the number of firms making a particular type of disclosure, the kinds of disclosure made by a particulars firm, the number of pages devoted to social disclosure, the location of disclosures and the extent of quantification.

In order to answer the questions earlier specified under research questions (in chapter 1.4), several techniques are adopted in this study as necessary. Furthermore, scales are assigned to the variables to provide more objective answers. For examples, a company disclosing information relating to social responsibility will earn a score ranging from zero to four (0-4) with zero being that no social responsibility information is available and each

aspect of social responsibility (e.g. Environmental Protection and Control, community relations etc) earns a score. A company that provides information relating to all aspects of social responsibility will earn the maximum score of 4. Analysis of these results in relation to the nature of the companies operations will reveal the extent of the company's responsibility to its social constituents. This method is used to answer question (iii).

Question (iv) draws answers from the annual reports and financial statements as well as the answers to the interview questions (See appendix).

Question (v) draws from the framework provided by the stakeholders theory of business behaviour and the enterprise theory in accounting. These provided the necessary background for the evaluation of the current practices of social responsibility accounting.

3.5 JUSTIFICATION OF METHODOLOGY:

Content analysis is a method of investigation that uses communications as topics of study and communication units such as books, reports, broadcasts are units of analysis. An investigation such as this that involves the examination of the contents of annual reports and accounts of companies is, therefore, suitable to content analysis.

Content analysis has several advantages. First, there is economy in terms of both time and money. For example it might be feasible for a single individual to undertake a content analysis. The need for support staff is minimal. All that is needed is access to the material to be studied. Second, it does not require the co-operation of subjects. The books, reports etc have already been written and published. Hence, analysing their contents will have no effect on them.

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Though content analysis has the disadvantage of being limited to the examination of recorded communications, this research/study overcomes that limitation by obtaining additional data through interviews.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS:

4.1 INTRODUCTION:

The aim of this chapter is to present and analyse the data collected in the course of the study. In order to enhance clear analysis and interpretation of the data, in such a form that would synchronise the problem with the research design, descriptive as well as quantitative approach of presentation and analysis are adopted. In order to appreciate the coding techniques used to enhance quantitative analysis, a small sample of the data generated in the study is first presented. Afterwards, data that can provide answer(s) to particular research question(s) is (are) presented, analysed using the relevant methodology already enunciated and the interpretation are deduced from the analyses.

4.2 PATTERNS OF DISCLOSING SOCIAL RESPONSIBILITY INFORMATION IN ANNUAL REPORTS:

The disclosure of information about corporate social performance in the annual reports is a new trend in external corporate reporting. It is as well a voluntary exercise. Hence, diverse titles, headings, captions are used to introduce the subject of social responsibility in the annual reports of these entities. A survey of the annual reports reveal the phenomena in social reporting relating to the various aspects of corporate social responsibility.

A **ENVIRONMENTAL PROTECTION AND CONTROL:**

i) Corporate governance. Our commitment to the principles of good governance has informed our Policies in two other key areas, namely, our corporate social responsibility activities and the improvement of the environment. We have formalised our social responsibility policy and endowed a Substantial sum to provide interest income to fund our corporate giving.

Also, our support for environmental issues has gone beyond mere rhetorics and our policy thrust in this area covers all our processes and the handling of waste to ensure that we remain completely environment friendly.

Some of our on-going work will enable us to achieve standards that are far higher than local legislation requires and we are proud to maintain a leading position in industry in this regard.

ii) Effluent treatment plant.

The protection of the environment has always been a matter of concern for your company. Right from its inception, the mill had its own waste water Treatment plant. However, the plant can no longer cope with the systematic Expansion of our production. To ensure adequate and efficient waste treatment, the company had decided to build a completely new plant incorporating the latest technology for the treatment of all effluent being discharged from it finishing department. A loan of US $4.5 million had been secured from the Nigerian Industrial Development Bank Limited for

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the procurement of this equipment, and Civil works for the plant had already begun. The entire project would be completed in fifteen months and upon commissioning, all the Mill's waste water should have been treated according to the requirements of the Federal Environmental Protection Agency (FEPA). I believe the new effluent treatment plant should contribute in no small measure to the protection of the environment.

B **DISCLOSURE RELATING TO COMMUNITY RELATIONS:**

i) Social Responsibility

Our company is committed to the socio-economic development of our area of operation and this was well demonstrated in the year. We undertook and completed the construction of a computer department block at a premier educational institution,.....,at a total cost of N1 million. We have also endowed substantial funds towards the institution of scholarship schemes to deserving students at the school.

ii) Community Relations.

Shareholders will be pleased to know that your company continues to enjoy the goodwill and support of its immediate communities of operation. On our part, we strive to reciprocate by contributing our quota to the development efforts of these communities.

In the year under review, the company funded a borehole project for the inhabitants.....where the company obtains its major raw materials,

..... In addition, the company concluded negotiations with the .....community and duly paid the agreed compensation for the land.....

iii) Community Development.

(The company)'s commitment to the welfare of its various community neighbours has remained immutable. During the last two years, (the company) has spent a lot on the provision of water, electricity, hospitals, maternity centres. This commitment to community development has endeared (the company) to its neighbours and other concerned citizens and institutions. In recognition of (the company's) efforts in this direction, the Nigerian Institute of Public Relations recently honoured the company with an Award for Excellence in community development.

iv) Social Responsibility.

As part of our social responsibility commitment, (the company) has been involved in consistent efforts to boost the status of education. Having realized that quality of education has been deteriorating,(the company) decided to take over (.....) Primary school from the state government in 1993. Ever since the take-over, we have been spending about N4m annually to improve the infrastructural facilities in the school which is now renamed (after the company). The company has been spending this much on the school with a view to making it one of the best and a symbol of excellence..... (The company) is committed generally to community development efforts with particular emphasis on the local community which falls

directly with our operational area. Our company hopes to maintain the tempo of promoting community well being within the limits of our financial resources.

v) Participating in the Community.

Improving the quality of social and community life is an integral part of our corporate mission. Our activities are at the forefront of Nigeria's economic and social development, our products and services upgrade the quality of life of millions of Nigerians daily.

Apart from the social benefits of our products and services, we are actively involved in improving the larger society in which we operate. We are in partnership with many communities and volunteer organizations around the country in promoting a variety of sports and cultural activities that inculcate discipline and qualities as well as strengthen national unity and community bonds. The (.....Tennis Tournament) has enhanced the lives of hundreds of young boys and girls who have participated in it since inception seven years ago. From their ranks have emerged some of Nigeria's finest tennis players who are holding out strongly in international circuits. Annually, we sponsor polo, golf and boat racing competitions in several parts of the country.

We are cooperating with the government and communities to improve the quality and access to education. Our under-graduate scholarship awards tenable in Nigerian Universities have continued to provide scores of youths the opportunities of higher education. In addition, we assist Universities, research institutes and specialized organizations offering professional training for executive development. We support several charities and community groups with cash and in-kind

donations to enable them achieve their goals. Our support for art and culture has provided hope and a head start for many young Nigerian artistes, painters and sculptors. A number of national institutions dedicated to the promotion of culture also receive support and encouragement from us. At (company name) we never forget that we are only a company- we are part of the community.

vi) Social Responsibility.

.....Our company has continued to be sensitive and alive to its social responsibilities, with the immediate host community and beyond. Medical services and facilities continue to be increasingly availed to members of the public particularly those within the immediate locality. Our depots have continued to sell our products direct to end users at affordable prices in various locations across the country.

We have recently completed and commissioned a block of classrooms at.....a community near our factory premises. This project was executed at over N2 million. The company is determined to make a definite impact in this area of social responsibility.

vii) Donations.

The company continues to donate to local charities as and when the need arose. No contribution was made to political parties or for political activities.

viii) Gifts and Donations.

Charitable gifts totaling =N=1,023,451, were given out in accordance with the company's policy on social development and improvement of the community, the environment and hygienic conditions of the less privilege.

ix) Donations

No political donations were made during the year under review. The bank support a number of charitable causes and community projects within its available resources.

C. **DISCLOSURE RELATING TO HUMAN RESOURCES:**

i) **Employment and Employees.**

1) Employment of disabled persons.

Due to the nature of the company's operations which involve the use of high speed machinery the areas where disabled persons can be safely employed are limited.

However, it is the company's policy that there should be no discrimination in considering applications for employment including those from disabled persons. All employees whether or not disabled are given equal. Opportunities to develop their experience and knowledge and to qualify for promotion, in furtherance of their careers.

2) Health, safety and Welfare

The company maintains a well equipped clinic, which is being run by a qualified nurse and is visited by a qualified medical doctor. In addition, the company has retainer agreements with adequate number of private hospitals run by qualified medical doctors, to whom serious cases of illnesses are referred.

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3) Employee Involvement and training.

The company attaches great importance to training and in particular due to the

nature of its activities, a number of staff are trained on the job.

ii) **HUMAN RESOURCE MANAGEMENT.**

1. Employment of disabled persons.

In line with the company's policy of fair consideration for job opportunities to the disabled, the company employed four (4) disabled persons at the end of the financial year. They are given conducive working environment for career development and upliftment, upliftment, however, is based on their competence and performance.

2. Health, safety and Welfare.

- Retainership agreement with several Clinics and hospitals.
- In-house clinics
- Safety devices are displayed and installed in workshops and factories.

3. Employee involvement.

A house journal is published to disseminate information within the organization. The company maintains a very cordial relationship with its House union.

– Regular consultative meetings are held by management to keep members of staff abreast with developments with the bank as well as its plans and achievements

D **DISCLOSURE RELATING TO THE GENERAL PUBLIC.**

(i) Corporate Social Responsibility.

The company contributed approximately ₦475.000.00 by away of donations and Gifts during the 12 months period ended... in furtherance of discharging its corporate social responsibility obligations.

The summary by category is as shown below:

	₦,000
1. Education/Communication/Research	100
2. Theater Arts	175
3. Government/social/charity/NGO's	200
	475

In addition to the direct corporate giving in the areas above, the company has consistent supported sports development in the country. (It) has also maintained its commitment to the environment and has been in the frontline in positively promoting environmental issues.

4

4.3 DATA PRESENTATION ANALYSIS AND INTERPRETATION

i) SOCIAL ACCOUNTING IN ANNUAL REPORTS. The major means of communicating information to stakeholders of a business enterprise is the annual reports and financial statements. The importance of the information contained in these reports are firmly established in financial analysis for investment decisions. Major social responsibility information have found their way into these reports which are mainly financial accounting communications.

As an exploratory research, this study sought to know the proportion of listed companies in Nigeria that disclose social responsibility information in their annual reports and accounts. The following data are available as in table 4.1.

Table 4.1 **Number of firms making social disclosure in annual reports.**

	1993		1994	
	No	%	No	%
Companies making social disclosure	79	83	87	92
Companies not making social disclosure	7	7	3	3
Companies for which no information is available	9	10	5	5
	95	100	95	1 00

Source: Extracted from financial report of surveyed companies

As indicated in the above table, 83% of fully-listed sampled companies disclose information on corporate social responsibility in their annual reports in 1993 while 92% did so in 1994. This shows an increase of 9% over that of 1993. It could be deduced that there is a growing tendency by companies to report information about their social performance in their annual reports.

This is an innovation that may provide information about the inherent risk characteristics of business operations which could affect investment decisions. In fact, there are statements in the reports of the disclosing firms that indicate their awareness of the concept of social responsibility e.g. the usage of suitable headings in the reports. A quick comparison between the annual reports of the 1980's and the 1990's reveal a complete departure from a lack of concern for social issues to a serious attempts at social involvement by companies.

ii) LOCATION OF SOCIAL RESPONSIBILITY INFORMATION IN ANNUAL REPORTS

The companies and Allied matters Decree 1990 gives the list of the statements that should comprise a company's annual reports. Each of these statements convey information about the operations of the reporting entity. The contents of some of them are regulated by the Law and accounting standards, e.g. the profit and loss account, and the Balance sheet.

This study shows that the outlets used by firms to disclose their social responsibility information are as follows:

a)	The chairman's statement	68%
b)	The Director's report	100%
c)	Notes to the accounts and value Added Statement	81%

It should be noted that the usage of any of these statements as a medium for disclosing social responsibility information is not mutually exclusive. Hence, the chairman's statement may contain such information as well as the directors' report e.t.c. However, it is clear from the above data that the directors' report is favoured by the firms for reporting social responsibility performance.

The choice of these media for reporting social responsibility information might have been influenced by the rigid rules governing the information to be disclosed in the core financial statements as specified by the law and accounting standard(s). Furthermore, these media disclose the information about the qualitative characteristics of business results e.g. the environment in which the business

carries on its operations and earns its profits. However, these information sources are easily overlooked in conventional financial analysis because of the difficulty involved in corporating such information into a financial evaluation model. Moreso, the chairman's statement and director's report could easily be employed as a media for protecting the integrity of the company and its officers who are acting as stewards.

The usage of notes to the accounts and the value Added statement in reporting social performance relate to the inclusion of social benefits in the amount shown as salaries and Employee benefits in these statements.

iii **THE EXTENT OF SOCIAL RESPONSIBILITY DISCLOSURE IN ANNUAL REPORTS**

This study gathered data relating to four aspects of social responsibility viz; Environmental Protection and control, Community Relations, Human Resources and the General Public. Most of the firms are involved in the welfare of its human resources and donations to general public programmes. Below is a table of the mean disclosure of social responsibility information by firms.

TABLE 4.2 AVERAGE INVOLVEMENT IN SOCIAL PROGRAMMES

Areas of Social Concern	No. of Firms Involved	
x	f	fx
0	8	0
1	17	17
2	45	90
3	19	57
4	1	4
	Σf = 90	Σfx = 168

Mean (x) = $\frac{\Sigma fx}{\Sigma f} = \frac{168}{90} = 1.87$

= 2 Approximately

On the average, companies are concerned with two aspects of social responsibility. The dominance of corporate social responsibility in the areas of human resources is not far fetched. First, there has been a world-wide recognition of the importance of human assets in the organization. This is at the root of the clamor for human asset/resource accounting. Therefore companies incur huge expenditure on their employees to secure their continued commitment to the corporate goals. Secondly, the existence of organised labour movements in most companies force companies to improve their social welfare. Finally, the accounting treatment of costs relating to employees' social benefits is served by an accounting standard (SAS 8). Hence, the inclusion of such costs in the main body of the financial statements eg the value Added Statements and notes to the accounts.

Another area of corporate social responsibility common to most firms as shown by this study is donations to charities and public programmes. The amount involved is reported in total and, very often, a breakdown showing the names of the beneficiaries is given alongside the amount. However, there is lack of consistency in this area of social responsibility. First, the recipients change from year to year. Second the amount involved

also varies yearly. Third there is indication that it depends on the profitability of the operations of the company. For instance, phrases such as "Thanks to our improved profitability and cash flow" often precedes such social responsibility reporting. Similarly, most of the donations are made in response to the fund solicitation efforts of the beneficiaries. For example, "The company continues to donate to local charities as and when the need arose".

Currently, donations are generally written off as expenses. However, there is the possibility of company officers using donations to prepare grounds for future political ambitions and honorary awards through the influence/support of the beneficiaries. This presents a problem that need be addressed, at least, by members of the company during the Annual General Meeting.

iii.) THE ROLE OF SOCIAL/LEGAL CONSTRAINTS ON SOCIAL RESPONSIBILITY ACCOUNTING.

When the concept of corporate social responsibility evolved, the perception of what constitutes the subject-matter differ widely. Some people were of the opinion that companies whose activities have negative impact on society eg heavy pollutant industries should show some sense of responsibility by putting in place a program of abatement. To such people, social responsibility should better be tagged as "corporate social response". For example, in 1992, the Federal Government of Nigeria set up the Federal Environmental Protection Agency (FEPA). This agency is charged with the responsibility of monitoring those industrial actions which contribute to environmental degradation eg air pollution, contamination of water sources through sewages, disposal of solid wastes

etc. The agency is granted authority for the setting of minimum environmental protection standards as regards corporate activities contributing to environmental pollution. It is also responsible for prescribing punitive sanctions for erring companies or those who are indignant about the impact of their operations on their environment. How have these issues affected the type and extent of social responsibility information disclosed in the financial statements? Do companies affected by such legal constraints indicate their response and the consequent financial commitments in their annual reports? In similar manner the localisation of industries added a new dimension to the concept of social responsibility. The economic justification of locating industries near the source of raw materials or other crucial productive inputs brought changes to the erstwhile communal lifestyle of host communities. The differences in the standards of living among the employees of such business enterprises and the people in the host communities (so called owners of the resources) triggered off pressure on such business enterprises which got them involved in social responsibility programmes.

If the foregoing assumptions are true, then only such firms will be involved in social responsibility programmes. Consequently accounting for social responsibility should be limited to such categories of business enterprises.

However, there are some business enterprises whose operations do not have the foregoing impact(s) on their communities due to the nature of their business activities e.g service firms like banks, insurance, marketing firms, e.t.c. Hence they do not face social constraints from host communities neither do environmental legislation(s) affect them. How do such firms perceive the concept of social responsibility? Is there any disclosure

about social responsibility in their annual reports and accounts? Is there any significant difference between the scope of social responsibility reported by the firms that face social and legal constraints and those that do not? This is the question we want answer statistically.

In an attempt to assess the impact of social/legal constraints on social responsibility reporting, the study separated the selected companies into manufacturing and service firms. The mean disclosure of each group is calculated to determine whether manufacturing companies perceive a broader social constituent than do service companies. As already shown in the literature, and enumerated under specification of variables (chapter III), four aspects of social responsibility are considered. The notion of social contract presumes that companies incur expenditure to dischange obligations arising fromthe impact of their activities on the society, and particularly its immediate environment.

As a result of the foregoing, companies facing social/legal constrains should have a wider scope of social responsibility (more social disclosure in annual reports) than those that do not . After calculating the mean disclosure for each category of the companies, the difference of means in calculated to test the significance of the findings.

Table 4.3 AVERAGE DISCLOSURE OF SOCIAL RESPONSIBILITY INFORMATION BY MANUFACTURING FIRMS.

X	f	fx	d	fd^2
0	2	0	-1.91	7.68
1	10	10	-0.90	9.22
2	32	64	0.09	0.05
3	10	27	1.09	11.86
4	1	4	2.09	4.16
55		$\Sigma fx=108$		$\Sigma fd^2=32.97$

$$Xm = \frac{108}{55} = 1.96$$

$$\sigma = \sqrt{\frac{fd^2}{N}} = \frac{32.97}{55} = 0.60$$

KEY:

X = Areas of social responsibility (e.g environmental protection etc.)

f = Frequency (Number of firms making social disclosure)

Xm, Xs = Means disclosure for manufacturing & Service firms respectively.

σm, σs = Standard deviation from the mean for manufacturing and service firms respectively.

σ (xm-xs)= Standard error of the difference of means

Z= Standardized variate of the difference of the means.

TABLE 4.4

AVERAGE DISCLOSURE OF SOCIAL RESPONSIBILITY INFORMATION BY SERVICE FIRMS.

X	f	fx	d	fd^2
0	1	0	-1.80	3.76
1	10	10	-0.80	7.90
2	14	28	0.20	0.11
3	10	30	1.10	11.24
4	0	0	2.20	0.00
	$\Sigma f = 35$	$\Sigma fx = 68$		Σfd^2 23.01

$$xs = \frac{68}{35} = 1.94$$

$$\sigma s = \frac{\sqrt{\Sigma fd^2}}{\Sigma f} = \frac{\sqrt{23.01}}{35} = 1.18$$

The standard error of the difference of means is as follows:

$\sigma (xm\text{-}xs) = \sqrt{\frac{\sigma m^2}{N} + \frac{\sigma s^2}{N}}$ where $N = \Sigma f$ or sample size.

$$= \sqrt{\left(\frac{0.60^2}{55} + \frac{0.81^2}{35}\right)} = \sqrt{(0.0065 + 0.0231)} = \underline{\mathbf{0.17}}$$

$$Z = \frac{xm - xs}{\sigma(xm\text{-}xs)} = \frac{0.60 - 1.81}{0.17}$$

$$= \frac{-0.21}{0.17} = \underline{\mathbf{-1.24}}$$

As already observed, we are interested in knowing whether there is difference in the

perception of social responsibility among the two categories of firms or not. E for two-tailed tests, critical values of z are $\pm$ 1.96 at 5% level of significance (α). If there is no difference between the scope of social responsibility of manufacturing and service firms as shown by mean disclosure of social information in the annual reports, Z must lie between $\pm$ 1.96 and -1.96. However, since the calculated Z of 1.24 within outside this range, the observed sample statistic is not significant at the 5% level. Hence, there is no difference between the scope of social responsibility reported by manufacturing and service firms. In fact, service firms tend to be more committed to social responsibility programms than do manufacturing firms. This is shown by the mean and the negative Z. The involvement of service firms social responsibility programmes is mostly in the form of donations to different social causes. This explains the higher mean disclosure by such firms.

Despite the foregoing inference, there are qualitative characteristics of social responsibility accounting/disclosure that need not be overlooked. A correlational study of the relationship between the nature of a firms operation(s) and the type of social responsibility programmes it involves itself may show such qualitative characteristics easily. For instance most companies located in communities where their raw materials are derived from indicate serious involvement in community development programmes. Also a few touched on the environmental impact of their operations in their annual reports. In fact, one firm disclosed the capital expenditure commitment needed to satisfy the requirements of the Federal Environmental Protection Agency. Though it is obvious that separate reports are being made to the agency directly in the form of Environmental Impact Assessment (EIA), the effect of any legal or social constraints justify more

adequate disclosure in the annual reports, at least, from accounting point of view. For instance, temporary cessation of operations, damages for breach of regulation e.t.c may affect earnings and should be disclosed in the annual reports. There have been times when the FEPA threatened to seal off the premises of erring companies and yet no information in this regard is disclosed in the annual reports. If such information is or are disclosed, it will likely have an impact on the investment market since investors will be desirous to know the risk attached to their investment - this is an objective of accounting information.

Hence the role of social/legal constraints on social responsibility accounting tends to suggest a reporting pattern that justifies the degree of corporate social involvement in the light of those constraints and such reports should be subjectible to an independent audit.

Finally, since both manufacturing and services firms are involved in social responsibility programmes, the stakeholder theory seems to pervade

business policy and corporate governance. Similarly, the enterprise theory in accounting need to the reviewed to reflect the current business policy.

v) **DISPOSITION OF EXPENDITURE ON SOCIAL PROGRAMMES**

A fundamental concern of accounting principles is the nature of transactions entered into during the accounting period. This forms the basis of the treatment given to the items involved in such transaction. Accounting classifications often involve the identification of assets and liabilities arising out of such transaction e.t.c. These aspects were the focus of early interest in corporate social accounting. Hence, there were attempts to value

social assets, liabilities e.t.c. and to construct a social balance sheet. However, theoretical development in this connection showed little progress because of the subjectivity of the figures that were derived from valuation models. Also during this periods the impact of legal and social constraints on corporate social responsibility was minimal. Hence, the involvement in social programmes by firms was largely voluntary. This is no longer the case nowadays as shown by the impact of social and legal constraints on social responsibility involvement by companies.

In an attempt to analyse the accounting treatment of expenditures on social programmes, each aspect of social responsibility will be looked into.

i) **Environmental Protection and Control.**

Expenditures on this aspect of social responsibility include:-

- Support for environmental issues
- amendment of production processes to become environment - friendly
- Environmental Impact Assessment Studies
- Waste Water treatment and recycling plant for scrap.

From the data available, the accounting treatment of expenditure relating to the above items follows the normal accounting convention. The activities of FEPA have made ownership/possession of assets that contribute to environmental protection and control mandatory. Hence, equipment installed are included as enterprises assets which contain service benefits that be used in its further operations and can be sold to other entities on liquidations or cessation of operations. Hence the major criterion used in capitalizing costs incurred by firms in the protection of the environment in whether there is a beneficial

ownership over the assets thus created or not.

However, some firms whose operations have no negative impact on the environment do make donations as support for environmental issues. Such donations are written off as expenses.

ii) Community Relations.

Major expenditures in this area of corporate social responsibility include:

- Donations to community programmes, charities, educational institutions and hospitals;
- Financial or infrastructural support for community transportation; and
- Scholarship for local community student e.t.c.

As the data collected in this study shows, real/tangible assets are created through expenditure in this area of social responsibility. For instance, the construction of classroom backs or hospitals for host communities.

Several such assets are created in the process of corporate social involvement in community development.

As answers to questions (i) b an (ii) b shows (see appendix E) these assets do not qualify for recognition as enterprises assets on grounds of beneficial ownership. The benefits accruing to the sponsoring companies is intangible ie the goodwill enjoyed by those companies. Nevertheless, where the expenditure involved is substantial, the concept of materiality is employed to allocate the expenditure to more than one accounting period.

Sometimes, the construction of such social infrastructures are phased and the expenditures are allocated accordingly.

Other expenditures on community relations are generally treated as expenses in the form of public relations or donations towards community programmes.

An issue of relevance to the development of accounting theory and practice is involved in this aspect of social responsibility i.e goodwill. This study has shown that the benefits accruing to companies involved in community development programmes is the goodwill enjoyed by them. Generally, the accounting profession has posited that goodwill should not be brought into the books unless purchased. But from the foregoing, can the expenditures by companies on community relations be regarded as the purchase of goodwill and be accounted for as such in books? It is likely that such a basis of valuing goodwill will be more objective than the extant methods of valuing goodwill.

iii) Human Resources:

The importance of the human asset of an organization has long been recognized in management sciences. The desire to provide motivational forces is at the root of expenditure for the development of human resources. Common expenditures in this regard include:

- Purchases of equipment and wears (e.g. masks, gloves e.t.c.) to protect employees.
- Installation of health facilities and safety measures
- Operation of clinics and retainership agreements
- Contribution to social insurance trust schemes, etc.

As can be seen from the nature of these expenditures, they are internal to the firm and their treatment presents no serious difficulties. This is supported by responses to question (i) c and (ii)c respectively (see appendix D) Equipment, wears and other safety facilities are owned by the firm and therefore forms part of the firm's assets. Some are classified as loose tools, others as fittings and some as equipment. Clinics or hospitals owned by companies are regarded as assets - the building if owned is included with the other buildings or as `land and buildings'. On the other hand, the contributions to social insurance funds are covered by the accounting standard for employee benefits. (SAS 8).

iv) General Public.

Under this heading are included expenditures on social programmes such as:-

- Donations to arts and sports associations
- Aids to disaster victims
- Training and employment of disabled persons.

The investigation reveals that donations generally are expensed in the accounts. Similarly, are aids to disaster victims and assistance to disabled persons.

However there is a new dimension in the aspect of corporate involvement in sports activities. Companies that own sports clubs regard part of their expenditure as long-term investment i.e the initial cost of setting up the sport outfit. Subsequent contributions to their development are treated as expenses. How adequate are these treatment of donations to arts and sports associations. It is common knowledge that companies enjoy some privileges in the form of advertisements and increased patronage for their products

as a result of donations/sponsorship of arts and sporting activities. Are these expenditures not better treated as advertisement expenditures rather than social responsibility expenditures? Should such donations be written off as expenses wholly each year even when the impact of such advertisements may span a number of years?

v) **EVALUATION OF SOCIAL RESPONSIBILITY ACCOUNTING PRACTICES.**

The purpose of information is to influence action, that is, the recipient behaving in the intended way. Due to the absence of uniform standards for social reporting, existing practices may be difficult to evaluate objectively. Accounting is a service activity and providing information about corporate social responsibility is intended to serve an interest. A logical starting point may be to seek answers to questions such as; whom does social responsibility accounting serve? What should be the objective of the social responsibility accounting process? Social responsibility accounting is intended to serve the general public (i.e society at large). Such an accounting process should provide information that will enable society evaluate the contributions of corporate citizens to whom they have given their sanctions to carry on economic activities within their area. Do current practices reflect this objective?

Several theories have been formulated on the objective and substance of financial reporting by business enterprises. Such theories attempt to provide a basis for explaining business behaviour and consequently it's accounting process. One such theory is the stakeholder theory. According to this theory a business exists

through the combined effort of various interested parties (stakeholders) rather than as a result of the sole effort of, and the capital subscribed to it by the entrepreneurial class. Consequently, the modern business organization is viewed as an institution with social responsibilities whose decisions affect a number of interested parties. This led to the formulation of the 'Enterprise Theory" in accounting.

Under the enterprise theory, it is argued that management acts as the guardian of the company by accepting responsibility for its survival and growth and not merely as agents of the shareholders (owners). Managers, therefore, serves as mediators between the various interested parties. Each of these parties that receive an income from their contact with the business enterprise have an important stake in the well -being of the company. Hence the company has responsibility towards them, not just the shareholders. This responsibility is intertwined with the company's role of utilizing scarce resources - monetary, human and material resources - in its production and distribution process and rewarding the providers of such resources.

A major impact of the enterprise theory on extent accounting practices is the inclusion of the value added statement in the annual reports & financial statements of limited liability companies. How has the value added statement accounted for the contribution of business to society? Can companies that incur expenditures on social responsibility progrmmes reflect them as societal share of the wealth created (by the coalition) in the

value-added statement? Currently, the value-added statement of companies have not recognized society as a member of the coalition that create the wealth of the firm. The share to government from the value-added only include tax expenditures, and hence cannot be regarded as the full share to society from the firm's wealth. By inference, therefore, much of the expenditures on social programmes are included as

"Bought in materials and services" in the value-added statement. How adequate is this treatment?

By their nature, social responsibility expenditures are incurred by firms to enable them enjoy the sanction of the society and to enhance the quality of their earnings. If value-added is a measure of the performance of the participants in the organizational coalition, it is noteworthy that societal sanctions is an invaluable contribution to the joint endavour of creating additional wealth. A logical treatment of the rewards to them in the form of social responsibility expenditures need be shown as their share of the value-added in the value-added statement. This will provide a basis for the evaluation of the social responsibility performance of firms. It will be also useful in negotiations with host communities as and when the needs arise.

4.4 SUMMARY OF FINDINGS.

Information about corporate social responsibility has found its way into the annual reports of quoted companies in Nigeria. Though such information is not the result

of any systematic measurement of externalities (i.e social costs and social benefits/as earlier discussions on social responsibility accounting suggests. Companies/businesses seem to have realised that externalities create accountable social costs when a business change a process or product, undertake and/or contribute towards local community development in order to alleviate the externality. Such programmes by their nature cause the costs to become internalized since they are incurred to provide a conducive environment for the earning of profits. This closely akin to the emerging prevalence of the satisficing objective of firms which itself is a derivative of the stakeholder theory of business behaviour.

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With respect to the questions earlier enunciated as research questions in Chapter 1.4, the findings are presented as follows:

(i) This study has shown that firms are only concerned about the reporting objective of social responsibility accounting, e.g the provision of information about firm's goals, policies, programmes, performance and contribution to social causes. From the sample studied, it could be said that about 92% of listed companies do disclose information relating to their social responsibility activities in their annual reports.

(ii) In providing social responsibility information, the descriptive approach of reporting is adopted and supported by cost of outlay approach, where necessary. The study shows that a common channel of disclosing such information in the annual report is via the Directors' Report to the members of the company.

(iii) Also, the study shows that legislation is forcing firms to incur expenditure that provide social benefits to its community but firms are unwilling to report on the sanctions/penalties suffered as a result of such laws. Hence social information about environmental protection and community relations need further refinements to make them more meaningful.

The study also shows that corporate involvement in social responsibility activities is to a good degree a function of profitability. It further shows that both manufacturing and service firms are involved in social responsibility to similar degrees.

(iv) Most of the costs of social programmes are written off as revenue expenditure except capital expenditures relating to equipment owned by the company e.g waste treatment plants. Also some corporations who own sporting clubs regard their shareholding as long term investment.

(v) Two major findings of this study for the development of accounting theory and practice are; First, the possibility of using the amount incurred on social responsibility activities as a basis for the valuation of goodwill and second; the need to extend the value-added statement to incorporate the share to society as a stakeholder in the modern enterprise.

4.5 LIMITATIONS

A research of this nature may be expected to touch on the current issues of social responsibility of firms operating in the upstream sector of the Nigeria petroleum sector/industry. This study does not address such issues because the companies involved in oil exploration activities are not quoted on the Nigerian Stock Exchange

However, some of the findings may benefit studies relating to the petroleum sector as well, with little modifications.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS.

5.1 SUMMARY

The aim of this research is to make an evaluation of the practices of listed companies relating to the provision of information about their social responsibility performances. This is necessary in order to assess the usefulness of such information to stakeholders. The literature on the subject discusses the concept and scope of corporate social responsibility. It also deals with the accounting problems involved as a result of trying to establish a price for externalities, determining the objectives of the users of social information and the attempts made so far by the accounting profession to develop a coherent theory for social accounting.

The plan of the study involved a content analysis of annual reports and accounts for a sample of 90 fully-listed companies on the Nigerian stock exchange. Furthermore, limited interviews were held with some accountants and auditors to obtain corroboratory evidence on the treatment of expenditures on social programmes by companies not apparent in the annual reports. The data collected were evaluated against the framework of the stakeholder theory of modern business behaviour and its corollary in accounting - the enterprise theory.

The study indicates that:

1) Companies do provide information about their social involvement in their annual reports by describing their roles in social causes and cost incurred in the process, thereby internalizing such cost. This negates the use of elaborate valuation models suggested in extant literature for valuing externalities.

2) The stewardship emphasis of financial reporting do bear on social reporting as well. The information about social responsibility are disclosed majorly in the directors report which is purely a report of stewardship. Since the director's report and the chairman's statement are, strictly, not part of the audited financial statements, there is danger that company officers can use expenditure on social causes to prepare grounds for their future political ambitions.

3) The existence of legislation in the area of environmental impact of corporate activities affects the scope and type of the social programmes that such firms embark upon. However, they do not make regular disclosure of compliance or non-compliance with such legislation adequately.

4) The treatment of expenditures on sporting activities seems to be inadequate. The inclusion of some costs of ownership of sports' clubs as long-term investment may require further investigation to ascertain its appropriateness.

5) There is a possibility of using social responsibility expenditures as a basis for the valuation of goodwill in the future. This may make the task of accounting for goodwill easier for accountants.

The study therefore stands to make the following contributions to knowledge in the area. First, there is need to modify the value-added statement included in the

financial statements in the light of the stakeholder theory of business behaviour and the enterprise theory in accounting. This is necessary in order to acknowledge the share to society as a member of the organizational coalition too. Second, a new method of valuing goodwill is suggested which relates goodwill to the transactions that created them. Third, the study is a succinct documentation on the methods used by Nigerian companies to disclose social responsibility information.

5.2 CONCLUSION

The impact of empirical studies on the development of accounting theory and practice cannot be over-emphasized. This is because accounting is a service function. As a result, there is need to investigate, constantly, if the function is fulfilling its objective. This has been the pattern of development in financial accounting, particularly in the area of investor's protection, whereby, the information to be provided must give a true and fair view of the affairs of the business. The initial hindrances to similar developments in social reporting were the non-obligatory nature of corporate social responsibility and difficulties of assigning values to externality effects of corporate activities objectively. However theoretical developments in business management and accounting have shown that the modern business enterprise is an institution with social responsibilities. Hence externalities do create accountable social responsibility costs as a result of the changes which businesses must undertake in the manner of carrying out their main operations. Against these background, current practices of social responsibility accounting was found to be inadequate and need modifications.

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Some recommendations are given in this connection, to enable the evaluation of business performance in the aspect of corporate social responsibility.

5.3 RECOMMENDATIONS

As a result of the findings of this study, these recommendations are given to improve the pattern of social responsibility accounting and the disclosure of such information in the annual reports to enhance their usefulness.

(i) The study shows that the concept of corporate social responsibility is linked with the stake holder theory of business behaviour and the enterprise theory in accounting. If the society/general public is recognized as a stakeholder in the modern business enterprise, then her share of the wealth created should be disclosed alongside those of other members in the coalition. Hence, it is suggested that the value- added statement be modified to include the societal share. Such share is derivable from aggregate contributions made to various social responsibility programs by the enterprise. This will not only form a basis for comparison among the shares to stakeholder but will enhance negotiations with social groups and community representatives as and when the need arises.

(ii) The problem associated with the treatment of goodwill in accounting is common knowledge. It is suggested that any valuation of goodwill should take into cognisance the amount of funds committed to social responsibility programmes.

(iii) The study found that most social responsibility information appears in the chairman's statement and the directors report. It is suggested that auditors of the financial statements be required to verify the costs purported to be incurred on social responsibility programmes so that firms do not overstate them to boost their image.

(iv) Due to the presence of legislation on the environmental impact of corporate activities through the Federal Environmental Protection Agency (FEPA), it is hereby recommended that the Securities and Exchange Commission (SEC) should intervene to formalize the disclosure requirements of fully-listed companies in this regard. In particular compliance or non-compliance with the regulations and penalties suffered for any breach of responsibility during the period should be adequately disclosed in the annual reports and accounts.

(v) The study shows that the extent of financial commitment to social responsibility programs depends on the resources (profitability, cash flow etc.) available to the companies. This may create problems for firms that are faced with social constraints from host communicates during periods of low profitability. Since social responsibility is a continuum as long as the firm exist, firms should create an endowment fund that will provide interest to finance social programmes continuously.

(vi) In the aspect of donation to public programmes, the loopholes involved were highlighted in the study. First, the criteria for charitable giving should best by the

company (i.e shareholders at the Annual General Meetings). This will help to eliminate superfluous donations by company officers in preparation for future political ambitions. A fraction of profits may need to be approved by members for specific programmes. The study raised some questions about the accounting treatment of donations to certain causes, i.e sporting activities. By their very nature, corporate involvement in sporting activities bears relationship to advertisement. It is therefore suggested that the treatment of such expenditures should be disclosed separately. When necessary, portion of such expenditures should be deferred to allow for the time lag between the event and results of the advertisement during the event in line with the matching principle.

(vii) Similarly, the treatment of costs of ownership of sports clubs should be evaluated. Carrying such costs in the books as long-term investments should take into cognizance returns from the investments. It is doubtful whether such investments make any direct monetary contribution to company profits and by its nature differs from investments held for profit earnings purposes.

(viii) The annual merit award given by the Securities and Exchange Commission (SEC) to firms listed on the Nigerian stock exchange (NSE) should include among its other criteria corporate social responsibility reporting. This will promote better practices of accounting for social responsibility expenditures.

(ix) The management accounting function of organization should be strengthened to provide information to aid planning for corporate social responsibility. This will

be connected with the determination of an optimal allocation of resources i.e what amount of resources should be committed to sociably programmes on a regular basis.

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APPENDIX A

CLASSIFICATION OF QUOTED COMPANIES INTO MANUFACTURING AND SERVICE FIRMS.

MANUFACTURING:

1 Ellah Lakes Plc.

2 Grommac Industries Plc

3 Livestock Feeds Plc.

4 Okitipupa Oil Palm Plc.

5 Okomu Oil Palm Plc.

6 Bewace (Nigeria) Plc.

7 Dunlop Nigeria Plc

8 Incar Nigeria Plc.

9 Intra Motors Plc.

10 R.T.Brisoe Plc.

11 Champion Breweries Plc.

12 Golden Guinea Breweries Plc.

13 Guinness Nigeria Plc.

14 International Breweries Plc.

15 Jos International Breweries Plc.

16 Nigerian Breweries Plc.

17 Premier Breweries Plc.

18 Ashaka Cement Plc.

19 Benue Cement Company Plc.

20 Cement Company of Northern Nigeria Plc.

21	Ceramic Manufacturer Nigeria Plc.
22	Nigercem Plc.
23	Nigeria Ropes Plc.
24	Nigerian Wire and Cable Plc
25	Nigerian Wire Industries Plc.
26	Welth Portland Company Plc.
27	Berger Paints Plc.
28	CAP Plc.
29	DW Meger
30	IPWA Plc.
31	Nigeria - German Chemicals Plc
32	Premier Paints Plc.
33	A.G. Leventis & Company Plc.
34	C.F.A.O. Nigeria Plc.
35	John Holt Plc.
36	Lever Brothers Nigeria Plc.
37	P.Z. Industries Plc.
38	S.C.O.A Nigeria Plc.
39	U.A.C.N. Plc.
40	U.T.C. Nigeria Plc.
41	Onwuka Hi-Tek Industries Plc.
42	7-up Bottling Company Plc.
43	Cadbury Nigeira Plc.
44	Ferdinand Oil Mills Plc.

45 Foremost Dairies Plc.

46 National Salt Co. Nigeria Plc.

47 Nestle Foods Nigeria Plc.

48 Nigerian Tobacco Company Plc.

49 Northern Nigeria Flour Mills Plc.

50 P.S. Mandrids of Co. Plc.

51 Tate Industries Pcl.

52 union Dicon Salt Plc.

53 Bata Nigeria Plc.

54 Lennards (Nig). Plc.

55 Abosedehyde Laboratories Plc.

56 BCN Plc.

57 Christlieb Plc.

58 Evans Medical Plc.

59 Maureen laboratories Plc.

60 Pfizer Products Plc.

61 Pharma-Deko Plc.

62 Smith Kline Beechem Nig. Plc.

63 Sterling Products Nigeria Plc.

64 Aluminium Manufacturers of Nigeria Plc.

65 First Alluminium Nigeria Plc.

67 Industrial Gases Plc.

68 Nigeria Enameluara Company Plc

69 Nigeria Yeast & Alcohol Man. Plc

70 Nigerian Lamps Industries Plc.

71 Oluwa Glass Company Plc.

72 Vitafoam Nigeria Plc.

73 Vono Products Plc.

74 Abplast Products Plc.

75 Avon crowncaps & containers

76. CMB Plc

77. Delta Glass Co. Plc

78. Poly products (Nig) Plc

79. Studio Press (Nig) Plc

80. Van leer Containers (Nig) Plc

81. W.A. Glass Industries

82. Academy Press Plc

83. Daily Times Plc

84. University Press Plc

85. Aba Textile Mill Plc

86. Enpee Industries Plc

87. Nigeria Textile Mill Plc

88. United Nigeria Textiles Plc

89. Western Textile Mills Plc

90. Afprint Nigeria Plc

91. Asaba Textile Mill Plc

SERVICES

1. Aviation Development Company Plc

2. Afribank Nigeria Plc
3. African Continental Bank Plc
4. Allied Bank of Nigeria Plc
5. Alpha Merchants Bank Plc
6. First Bank of Nigeria Plc
7. FSB International Bank Plc
8. Highland Bank (Nig) Plc
9. Inland Bank Nigeria Plc
10. International Merchant Bank Plc
11. Lion Bank of Nigeria Plc
12. Mercantile Bank Plc
13. NAL Merchant Bank Plc
14. Orient Bank of Nigeria Plc
15. Owena Bank Plc
16. Progress Bank Plc
17. Savannah Bank Plc
18. Trade Bank Plc
19. Trans International Bank Plc
20. UBA Plc
21. Union Bank Nigeria Plc
22. Wema Bank Plc
23. Berec International Plc
24. Chellarams Plc
25. Morison Industries Plc

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26. Trans-national Express Plc
27. AT&T Global Information Solutions Nigeria Plc
28. Atlas Nigeria Plc
29. Thomas Wyatt Nigeria Plc
30. Tripple GEE and Company Plc
31. WTN Plc
32. ARBICO Plc
33. Cappa & D' Alberto Plc
34. Constain (W.A) Plc
35. Dumez Nigeria Plc
36. G. Cappa Plc
37. Impresit Bakolori Plc
38. Julius Berger Plc
39. Roads Nigeria Plc
40. Allco Insurance
41. Amicable Assurance
42. Bri-American Insurance Company Plc
43. Crusader Insurance Plc
44. Guinea Insurance Plc
45. LASACO Assurance Plc
46. Law Union and Rock Ins. Plc
47. N.E.M Insurance Co. (Nig) Plc
48. The Niger Insurance Co. Plc
49. Prestige Assurance

50. Royal Exchange Assurance Plc
51. Sun Insurance Nigeria Plc
52. Towergate Insurance Plc
53. UNIC Plc
54. West African Prov. Insurance Co. Plc
55. First Capital Investment Trust Plc
56. Blackwood Hodge (Nig) Plc
57. Nig. Sew. Machine Man Co. PLc
58. Storms Nigeria Plc
59. African Petroleum Plc
60. Afroil
61. Agip (Nig) Plc
62. Mobil Oil Nigeria Plc
63. National Oil Co. Plc
64. Texaco Nigeria Plc
65. Total Nigeria Plc
66. Unipetrol Nigeria Plc
67. EKO Hospitals Plc

APPENDIX B

SELECTED MANUFACTURING AND SERVICE COMPANIES

MANUFACTURING:

1. Livestock Feeds Plc
2. Okitipupa Oil Palm Plc
3. Okuma Oil Palm
4. Bewac (Nigeria) Plc
5. Incar Nigeria Plc
6. R.T. Briscoe Plc
7. Champion Breweries
8. Guiness Nigeria Plc
9. International Breweries Plc
10. Jos International Breweries
11. Nigerian Breweries Plc
12. Premier Breweries Plc
13. Benue Cement Company Plc
14. Cement Company of Northern Nigeria Plc
15. Nigercem Plc
16. W.A. Portland Company Plc
17. Nigerian Ropes Plc
18. DN Meyer Plc
19. Premier Paints Plc
20. Nigerian German Chemicals Plc
21. AG Leventis Plc

22. John Holt Plc
23. P.Z. Industries Plc
24. U.A.C.N Plc
25. U.T.C Nigeria Plc
26. Ferdinand Oil Mills Ltd
27. Nestle Foods Nigeria Plc
28. Northern Nigeria Flour Mills Plc
29. Tate Industries Plc
30. Union Dicon Salt Plc
31. BCN Plc
32. Christlieb Plc
33. Evans Medical Plc
34. Maureen Laboratories Plc
35. Pharma-Deko Plc
36. Smithkline Beecham Nig. Plc
37. Aluminium Manufacturing Nigeria Plc
38. First Aluminium Manufacture of Nigeria Plc.
39. Liz-Olofin and Company Plc.
40. Nigeria Enamelware Company Plc.
41 Nigeria Yeast & Alcohol Man. Plc
42 Nigerian Camps Industries Plc.
43 Oluwa Glass Company Plc.
44 Vono Products Plc.
45 Avon Crowncaps & Containers

46 CMB Plc.

47 Poly Products (Nig) Plc.

48 Van Leer Containers (Nig.) Plc.

49 W.A. Glass Industries Plc.

50 University Press Plc.

51 Aba Textile Mill Plc.

52 Enpee Industries Plc

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55 Asaba Textile Mill Plc.

SERVICE:

1 Aviation Development Company Plc.

2 Allied Bank of Nigeria Plc

3 Alpha Mercahnt Bank Plc.

4 First Bank of Nigeria Plc.

5 Inland Bank Nigeria Plc.

6 International Merchant Bank Plc.

7 Lion Bank of Nigeria Plc

8 Mereantile Bank Plc.

9 NAL Merchant Bank Plc.

10 Owena Bank Plc.

11 Trade Bank

12 U.B.A. Plc

13 Union Bank of Nigeria Plc.

14 Wema Bank Plc.

15 Eko Hospitals Plc.

16 Chellarams Plc.

17 Atlas Nigeria Plc.

18 Thomas Wyaltt Nigeria Plc.

19 WTN Plc.

20 ARBICO Plc.

21 Cappa & D'Albeto Plc.

22 Constain (W.A.)Plc.

23 Julius Berger Plc.

24 Roads Nigeria Plc.

25 Bri-American Insurance Company Co. Plc.

26 Crusader Insurance Plc.

27 Guinea Insurance Plc.

28 law Union and Rock Ins. Plc.

29 N.E.M. Insurance Co. (Nig.) Plc.

30 The Niger Insurance

31 Royal Exchange Assurance Plc.

32 Towergate Insurance Plc.

33 Unic Plc.

34 West African Prov. Insurance co. Plc.

35 First Capital Investment Trust Plc.

36 Stokvis Nigeria Plc.

37 Afroil Plc.

38 Mobil Oil Nigeria Plc.

39 National Oil Co. Plc.

40 Unipetrol Hospitals Plc.

APPENDIX C

SELECTED AUDIT FIRMS.

1 KPMG Peat, Marwick, Ani, Ogunde & Co.

2 Cooper & Lybrand

3 Pannel Awobo, Yusuf

4 Oyediran, Fallege, Oke & Co.

5 Mak Consul & o.

6 Ade Ogundipe & Co.

7 A.R. Ogah & Co.

8 Aminu Ibrahim & Co.

APPENDIX D

INTERVIEW QUESTIONS.

i) Questions for company accountants.

a) Sir, your firm's activities are included among those activities covered by FEPA regulations. As a result your firm might have embarked on some expenditures in this regard. How do you treat these expenditures in your accounts?

b) Donations towards community development activities appears in your annual reports and accounts, how are these treated in your books of accounts? Please, of particular interest are items such as boreholes, classrooms, and other tangible assets constructed by the company for its communities?

c) Your company contributes towards arts and sports activities. What motivates such contribution? How do you allocate the expenditure to different accounting periods? In your opinion, don't you think this is advertising in disguise?

d) What factors determine the magnitude of funds committed to social responsibility programmes by your firm?

ii) **Questions for Auditors.**

Sir, in the audit of your client's accounts how do you treat these expenditures on social responsibility programmes incurred by them:-

a) Costs incurred/damages suffered to comply with environmental legislation?

b) Community development projects e.g boreholes, classrooms, equipment etc.

c) Donations to arts and sports associations?

d) Ownership of sports clubs?

e) As an accountant in professional practice, what would you like to give to improve

accounting practice relating to social responsibility expenditures, particularly, areas where you believe that practice is deficient?